Effect of Prime Healthcare Services' Acquisition of Anaheim Memorial Medical Center on the Accessibility and Availability of Healthcare Services

Prepared for the Office of the California Attorney General

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TABLE OF CONTENTS

INTRODUCTION AND PURPOSE **2**
ANAHEIM MEMORIAL MEDICAL CENTER'S PROFILE **6**
General Information 6
Programs and Services 8
Accreditations and Recognitions 8
Seismic Issues 8
Patient Volume 9
Medical Staff 12
Financial Profile 13
Cost of Services 14
Charity Care 15
Community Benefit Services 18
Prime Healthcare Services 20
Prime Health Services Map 22
Anaheim Memorial Service Area Definition 25
Anaheim Memorial Medical Center Service Area Map 26
Demographic Profile 27
Hospital Supply, Demand and Market Share 32
SUMMARY OF COMMUNITY INTERVIEWS **57**
Reasons for the Sale of AMMC 57
Acquisition by Prime 57
Importance of AMMC to the Community 58
Potential Closure of the Hospital 58
Opposition to the Sale 59
Use of Sale Proceeds 59
Change of Name 59
ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE ACCESSIBILITY AND AVAILABILITY OF HEALTHCARE SERVICES **60**
Continuation of AMMC as a General Acute Care Hospital 60
Medical/Surgical, Intensive Care/Coronary Care Services 60
Obstetrical Services 60
Emergency Services 60
Sexual Assault Response Center 60
Breast Center 60
Neonatal Intensive Care Unit 61
Reproductive Health Services 61
Use of Sale Proceeds 61
Effects on the Level and Type of Charity Care Historically Provided 61
Effects on Community Benefit Programs 62
Effects on Staffing and Employee Rights 62
Effects on the Medical Staff 62
Effects on Patient Access 63
Alternatives 63
CONCLUSIONS **64**
Acquisition Agreement Mitigation Measures 64
Additional Potential Conditions for Transaction Approval by the Attorney General 65
Recommended Action 66
APPENDIX **67**

INTRODUCTION AND PURPOSE

Memorial Health Services ("MHS"), a California non profit healthcare system serving Los Angeles and Orange Counties, operates six hospitals including Anaheim Memorial Medical Center ("AMMC" or "the Hospital"), a 223-licensed bed acute care hospital located in Anaheim, California. MHS is the sole member of AMMC, a California non profit public benefit corporation, that has requested the California Attorney General's consent for the sale of substantially all of its assets, including the hospital and related assets, a surgery center site of approximately 6,628 square feet, a 1,443 square foot medical bungalow, and a medical office building of approximately 105,337 square feet, to Prime Healthcare Services, Inc., a Delaware for-profit corporation ("Purchaser" or "Prime").

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

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

- A review of the documents filed with the Attorney General by AMMC, dated March 22, 2007, in its request for consent to the transaction and subsequent documents filed with the Attorney General and dated May 17, 2007;

- Review of various press releases and news articles related to AMMC and other hospital sales transactions;

- Interviews with community members and representatives, AMMC medical staff, AMMC management, AMMC Board members, the Chairman and the President of Prime, other Prime executives, MHS executives, the Program Manager of Orange County Medical Services, various health insurance company representatives, and others;

- An analysis of financial, utilization and service information provided by AMMC management and the California Office of Statewide Health Planning and Development ("OSHPD");

- An analysis of area healthcare services, using OSHPD data and other various sources.

BACKGROUND AND DESCRIPTION OF THE TRANSACTION

Anaheim Memorial Medical Center opened in 1958, is currently licensed for 223 beds, and offers services including emergency, obstetrics, neonatal intensive care, and cardiac surgery, as well as other inpatient and outpatient services.

MHS, which is headquartered at 7677 Center Avenue, Huntington Beach, California, operates healthcare facilities including Long Beach Memorial Medical Center, Miller Children's Hospital in Long Beach, Orange Coast Memorial Medical Center in Fountain Valley and Saddleback Memorial Medical Centers in Laguna Hills and in San Clemente. AMMC became an affiliate of MHS in 1995 when it was facing severe financial challenges, and MHS is its sole member. MHS subsequently acquired Martin Luther Hospital, a hospital about one mile away, in 1999, and closed it, consolidating services at AMMC.

AMMC is the sole member of the Anaheim Memorial Foundation, which exists as a separate nonprofit corporation to raise funds for the Hospital's capital projects and programs. The Foundation's Board consists of 16 community members including physicians and local business and community leaders. The Foundation raised over $840,000 in revenue in 2006 and has approximately $2.6 million in net assets as of May 2007, with $860,000 in unrestricted funds. The Foundation is not included in the sale and has stated its intention to continue to operate with a mission to support community healthcare needs independently of the Hospital.

Reasons for the Sale

In 2005 and 2006, MHS conducted strategic and operational assessments of AMMC to determine the effect of different alternatives for capital investment, partnership or sale. As a result, MHS reached certain conclusions about AMMC, including the follow:

- AMMC's service area has an increasingly unfavorable payer mix of patients;
- AMMC's market share has been stagnant and is unlikely to grow in the face of powerful Orange County competitors that were already well underway with seismic retrofit and facility expansion plans;
- AMMC's poor financial performance is likely to further deteriorate without major capital investment, estimated to be at least $200 million over 10 years, including seismic, facility equipment and other capital improvements;
- MHS's other hospital facilities also require major capital investment and the requirements of AMMC could jeopardize the system's ability to complete other needed improvements.

As a result of these conclusions, in July 2006 MHS announced that it was engaging in a process to sell or find a partner for AMMC. In February 2007, MHS announced that it had agreed to sell the Hospital to Prime.

Summary of the Acquisition Agreement

The major provisions of the Acquisition Agreement, dated February 28, 2007, include the following:

- Prime will purchase substantially all of the assets of AMMC, including the Hospital with approximately 15 acres of land, a medical bungalow (1,443 square feet), ambulatory surgery center site (6,628 square foot), neighboring medical office building (105,337 square feet), tangible personal property used in conjunction with the operation of the business, equipment, inventory, and supplies, etc., for $55 million, to be paid in cash upon closing;
- Prime will invest at least $25 million for capital improvements, equipment and/or working capital during the five years of operation following the closing date, at a rate of no less than $4 million per year;
- Prime will assume all of AMMC's third party contracts, including provider, payer, medical group and vendor contracts;
- Prime will offer employment to all current employees of AMMC at their current salaries, wages and terms, and with benefits consistent to those at other Prime facilities;
- Prime will comply with its charity care policies in effect at its other hospitals;
- Prime agrees to provide charity care consistent with the Hospital's existing policies in an amount no less than the average amount of charity and indigent care provided at AMMC during the three fiscal years prior to closing and increased annually by the rate of inflation as measured by the Consumer Price Index for Orange County;
- Prime agrees to appoint a Board of Trustees consisting of physicians on the medical staff and community representatives to be an advisory board only;
- Prime agrees to operate the Hospital as a general acute care hospital and offer an emergency room for not less than five years following the closing, subject to various conditions which include market demand and financial viability;
- Prime agrees to honor all privileges granted to physicians in good standing by the medical staff of AMMC and maintain as strictly voluntary any hospitalist/intensivist program
- Prime agrees to establish and implement a corporate compliance and ethics program to ensure high ethics and standards in the conduct of business
- Excluded assets include:
    - Cash, investments and accounts receivable
    - The ownership of the name, variants thereof and related logos
    - Anaheim Memorial Medical Foundation assets

Use of Net Sales Proceeds

After paying for the obligations of AMMC, which include the redemption of bonds ($34.1 million), the payment of PTO liability ($3.6 million), transaction fees ($1,000,000) and funding of the AMMC defined benefit pension plan ($8.4 million), MHS has proposed using the remaining proceeds of $7.9 million to partially fund the new patient tower for the Miller Children's Hospital located in Long Beach, California. According to MHS, 14% of the inpatients served by Miller Children's Hospital come from Anaheim Memorial's service area.

ANAHEIM MEMORIAL MEDICAL CENTER'S PROFILE

General Information

AMMC is a general acute care facility with its campus located at 1111 W. La Palma Avenue, Anaheim, CA 92801 on approximately 15 acres of land, it has 1,020 parking spaces. The original hospital opened in 1958 but was demolished when the main hospital was built in 1968. The physical plant of the main campus area being sold consists of 223 licensed beds and support facilities totaling approximately 229,000 square feet. Additional information includes:

- AMMC has a total of 223 licensed beds (frequently listed as 224, however current license shows 223);

Perinatal Services	27
Intensive Care	22
Intensive Care Newborn Nursery	11
Coronary Care	10
Unspecified General Acute Care[1]	153
Total	**223**

- In addition to the hospital and related assets, AMMC owns the following:
  1) Medical office building located on the Hospital site at 1211 West La Palma Avenue, Anaheim (105,337 square feet);
  2) Ambulatory surgery site located at 1006 West La Palma Avenue Anaheim (6,628 square feet on .65 acres), and;
  3) Medical bungalow located at 1751-F Romneya Drive, Anaheim (1,443 square feet).
- In 2006 for year-to-date 2007, Anaheim Memorial Medical Center had an average census of approximately 164 patients;
- The Hospital has 215 active medical staff members and employs 871 full-time equivalent employees, and;
- AMMC had 1,872 obstetrical deliveries in 2006 and 1,646 for 2007 year-to-date.

[1] Used for medical/surgical patients.

Some key statistics about AMMC are as follows:

ANAHEIM MEMORIAL MEDICAL CENTER FISCAL YEAR 2006 KEY STATISTICS	
Total Licensed Beds	**223**
Inpatient Discharges	**14,676**
Average Daily Census	**164.0**
Outpatient Visits	**38,935**
Emergency Services Visits	**43,084**
Cardiac Catheterization Procedures	**4,353**
Obstetrical Deliveries	**1,872**
Active Physicians on Medical Staff	**215**
Number of Employees (FTE)	**871**

Sources: FY 2006 OSHPD Disclosure Report, 2006 CY OSHPD Alirts Annual Utilization Report

Programs and Services

AMMC is a community hospital that offers primary and secondary medical and surgical healthcare services that are common to most general acute care hospitals. It also offers specialized programs and services that include cardiovascular surgery, neonatal intensive care and a sexual assault response center. The list of services includes:

- Emergency Services: 24-hour basic emergency services and sexual response assault center
- Cardiovascular services: heart disease, cardiovascular surgery (including open heart surgery), designated cardiovascular receiving center, cath lab, rhythm disorders, vascular disease and cardiac rehabilitation;
- General services: blood conservation, pharmacy, laboratory, pathology;
- Imaging services: CT/CAT scans, PET, PET/CT, MRI and ultrasound;
- Perinatal services: private labor and delivery rooms for childbirth and a neonatal intensive care unit ("NICU");
- Intensive care unit ("ICU") and coronary care unit ("CCU");
- Oncology, including chemotherapy and radiation therapy;
- Surgical services: outpatient and inpatient, gynecological, vascular, cardiovascular, orthopedic, thoracic, urologic and endoscopy;
- Outpatient rehabilitation: physical therapy, occupational therapy and speech therapy;
- Breast center;
- Wellness programs: fitness programs, weight loss and health education; and
- Women's health: low cost personal cardiac screenings and heart health risk assessments.

Accreditations and Recognitions

AMMC received a fully accredited decision from both the Joint Commission for Accreditation of Healthcare Organizations (JACHO) and the Department of Health Services (DHS) in February 2005. AMMC has received recognition from various organizations for achieving standards of quality, including Solucient, Health Net and CalOptima.

Seismic Issues

In 2001, Taylor and Associates evaluated the requirements for AMMC to meet California's seismic requirements under SB1953. At the time it was estimated that it would cost $41.8 million to retrofit AMMC (excluding financing costs). The current cost estimates to develop solutions that may involve retro and new construction range between $80-$140 million.

Patient Volume

The following table shows patient volume trends at AMMC for fiscal years 2002 through 2006 and 10 months of fiscal year 2007.

ANAHEIM MEMORIAL MEDICAL CENTER - SERVICE VOLUMES						
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	2007 YTD
PATIENT DAYS						
Medical ICU/CCU	5,031	4,908	5,723	5,972	5,946	4,540
NICU	2,647	2,378	2,805	3,019	2,497	2,218
Med/Surg	40,993	42,732	42,167	44,010	44,979	37,335
Obstetrical	6,697	3,351	4,434	3,443	3,604	3,234
Coronary Care	736	2,596	2,770	2,882	2,855	2,413
Total	**56,104**	**55,965**	**57,899**	**59,326**	**59,881**	**49,740**
DISCHARGES						
Medical ICU/CCU	554	507	509	483	509	327
NICU	266	248	238	241	213	171
Med/Surg	9,894	11,583	9,952	10,767	11,661	9,670
Obstetrical	2,763	909	2,494	1,764	1,950	1,741
Coronary Care	80	334	302	312	343	202
Total	**13,557**	**13,581**	**13,495**	**13,567**	**14,676**	**12,111**
AVERAGE LENGTH OF STAY						
Medical ICU/CCU	9.1	9.7	11.2	12.4	11.7	13.9
NICU	10.0	7.1	11.8	12.5	11.7	13.0
Med/Surg	4.1	3.7	4.2	4.1	3.9	3.9
Obstetrical	2.4	3.7	1.8	2.0	1.8	1.9
Coronary Care	9.2	7.8	9.2	9.2	8.3	11.9
Total	**4.2**	**4.1**	**4.3**	**4.4**	**4.1**	**4.1**
AVERAGE DAILY CENSUS						
Medical ICU/CCU	13.8	13.4	15.7	16.4	16.3	14.9
NICU	7.3	6.5	7.7	8.3	6.8	7.3
Med/Surg	112.3	117.1	115.5	120.6	123.2	122.8
Obstetrical	18.3	9.2	12.1	9.4	9.9	10.6
Coronary Care	2.0	7.1	7.6	7.9	7.8	7.9
Total	**153.7**	**153.3**	**158.6**	**162.5**	**164.1**	**163.6**
OTHER SERVICES						
I/P Surgeries	2,726	2,878	2,790	2,821	3,066	2,644
O/P Surgeries	3,481	3,461	3,476	3,489	3,329	2,722
Emergency Visits	43,545	45,484	39,916	44,665	43,084	43,699
Cardiac Cath Procedures	1,928	2,600	3,195	3,349	4,353	3,340
Obstetric Deliveries		2,387	2,136	1,758	1,872	1,646

OSHPD Disclosure Reports (2002-2006), Alirts Annual Utilization Reports (2002-2006)
[1] 2007 YTD Data was provided by AMMC based on data for 10-months.

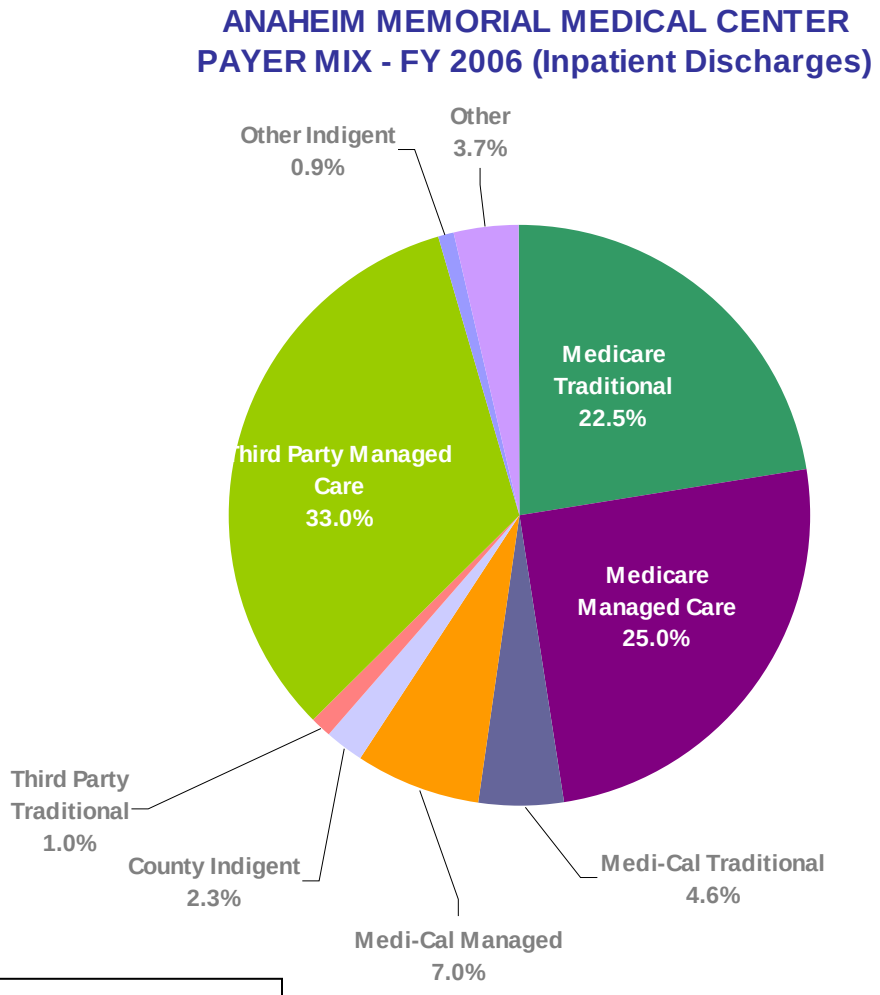
A review of historical utilization trends supports the following conclusions:

The overall average daily census has grown slightly over the last five years, however, with an average daily census of 164, an average of approximately 59 licensed beds remain unoccupied;

- Total discharges between 2002 and 2006 grew by 8.3 %, while total patient days grew by 6.7%;
- Inpatient surgeries grew by 12.5%, while outpatient surgeries declined by 4.3% between 2002 and 2006;
- The NICU decreased in discharges by 19.9% over the five-year period and had an average daily census of 6.8 in 2006. This decline was partially caused by AMMC's cancellation of its Medi-Cal contract;
- Obstetrics has experienced a significant decline in discharges (29.4%), patient days (46.2%) and average daily census (45.9%) between 2002-2006, again partially because of cancellations of the Hospital's Medi-Cal contract;
- The number of cardiac catheterizations more than doubled between 2002 and 2006; and
- Emergency visits have remained stable from 2002 to 2006.

Payer Mix

Medicare is the largest payer at AMMC, representing approximately 47.5% of annual discharges (2006). Over half of the Medicare discharges were from seniors who are members of managed care plans. Third party commercial managed care patients also accounted for a large proportion of discharges with 33.0% of all patients. Medi-Cal accounted for 11.6% of all discharges with over half of these being from Medi-Cal managed care. Additionally, the Hospital had 3.2% of discharges in the indigent categories (uninsured/poor), which is a relatively high percentage compared to other hospitals in California.



Number of discharges = 14,676

* Other includes self-pay, workers' compensation, other government, and other payers.

Source: OSHPD Financial Disclosure Report, FY 2006

Medical Staff

AMMC has 215 "active" physicians on the medical staff with most physician specialties represented. AMMC's active medical staff consists of 85% who are board certified, which is similar to other community hospital averages (usually around 85% or higher).

ANAHEIM MEMORIAL MEDICAL CENTER
MEDICAL STAFF PROFILE 2006

Specialty	Board Certified	Board Eligible	Other
Allergy and Immunology			
Anesthesiology	9	3	
Cardiovascular Disease	18	2	
Child Psychology			
Colon and Rectal Surgery			
Gastroenterology			
Dental			
Dermatology	1		
Diagnostic Radiology			
Forensic Pathology			
Gastroenterology	7		
General/Family Practice	14	6	
General/Preventative medicne			
General Surgery	10	1	
Internal Medical	23	9	
Neurological Surgery		1	
Neurology		3	
Nuclear Medicine			
Obsterics and Gynecology	14	1	
Occupational Medicine			
Oncology			
Opthalmology	1		
Oral Surgery	1		
Orthopaedic Surgery	5		
Otolaryngology	4		
Pathology			
Pediatric- Allergy			
Pediatric- Cardiology	1		
Pediatric- Surgery			
Pediatrics	15	2	
Physical Medicine/Rehabilitatic	2		
Plastic Surgery	3	1	
Podiatry			
Psychiatry			
Public Health	9		
Pulmonary Disease			
Radiology	6		
Therapeutic Radiology	5		
Thoracic Surgery			
Urology	3	1	
Vascular Surgery	3		
Other	28	3	
Total	**182**	**33**	

Source: OSHPD Disclosure Report, AMMC

Financial Profile

AMMC's net operating revenue has increased 29.8% in five years, from $136,404,965 in 2002 to $177,026,778 in 2006. However, AMMC reported losses in fiscal years 2004 and 2005 of over $11.7 million combined. Operational expenses steadily increased by 31.4% or $4.3 million, from 2002 to 2006 with only a small increase in patient volume. The Hospital's operating margin in 2006 was -0.7%, which is lower than the median of California hospitals' operating margin of 0.4%. Before considering non-operating revenue, AMMC's loss on operations over the last three years ranged from $1,195,754 to $10,494,697. AMMC administration stated that a net income of up to $6 million should be reported for FY 2007, which represents a significant improvement over prior years.

AMMC's current asset/debt ratio of 1.34 (current assets divided by current debts) is slightly weaker than the statewide median of 1.45. AMMC's bad debt percentage of 4.1% is more than double the statewide median of 1.8%.

ANAHEIM MEMORIAL MEDICAL CENTER FINANCIAL AND RATIO ANALYSIS

		2002	2003	2004	2005	2006
Patient Days		56,104	55,965	57,899	59,326	59,881
Discharges		13,557	13,581	13,495	13,567	14,676
ALOS		4.1	4.1	4.3	4.4	4.1
Net Operating Revenue		$136,404,965	$140,347,304	$153,137,081	$149,640,965	$177,026,778
Operating Expense		$135,657,012	$140,247,076	$156,259,288	$160,135,662	$178,222,153
Net from Operations		$747,953	$100,228	($3,122,207)	($10,494,697)	($1,195,754)
Net Non-Operating Rev.		$275,565	$578,156	$508,033	$1,398,152	$1,262,273
Net Income		$1,023,518	$678,384	($2,614,174)	($9,096,545)	$66,519
	California Median*					
Current Ratio	1.47	0.49	0.47	0.41	0.84	1.34
Days in A/R	61.3	66.0	73.9	64.1	59.7	57.1
Bad Debt Rate	1.8%	2.5%	3.1%	3.0%	1.9%	4.1%
Operating Margin	0.4%	0.6%	0.1%	-2.0%	-7.0%	-0.7%

Sources: *Summary of OSHPD Disclosure Reports

Cost of Services

The operating cost of services by payer category, which includes both inpatient and outpatient care, was calculated for the past five years. In 2006, 47% of AMMC's total costs were associated with Medicare patients, 35% with commercial managed care patients, and 10% from Medi-Cal patients.

The cost of services provided for County indigent and other indigent patients has steadily risen, from $2.8 million in 2002, to $5.8 million in 2006.

ANAHEIM MEMORIAL MEDICAL CENTER COST OF SERVICES BY PAYER CATEGORY					
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Operating Expenses	$135,657,012	$140,247,076	$156,259,288	$160,135,662	$178,222,532
Cost of Services By Payer:					
Medicare	$50,839,712	$66,260,194	$73,392,934	$77,459,477	$84,377,089
Medi-Cal	$9,312,711	$19,315,453	$19,691,511	$18,119,786	$17,741,736
County Indigent	$3,154,573	$3,136,044	$3,314,255	$4,543,247	$4,280,042
Third Party	$69,468,850	$42,957,061	$55,818,830	$53,220,765	$62,409,816
Other Indigent	$0	$0	$266,412	$718,571	$1,593,722
Other	$2,881,166	$8,578,323	$3,775,346	$6,073,816	$7,820,128

Source: OSHPD Disclosure Reports.

Charity Care

Different sources of hospital reports of charity care charges often vary. MDS relied on the final OSHPD disclosure reports rather than AMMC community benefit reports.

AMMC CHARITY CARE - TOTAL CHARGES FISCAL YEARS 2001-2005		
Year	OSHPD Disclosure Reports	Community Benefit Financial Reports[1]
2006	$8,376,312	$8,507,095
2005	$13,641,982	$13,545,108
2004	$1,083,196	$1,737,921
2003	$1,341,729	$1,344,000
2002	$150,985	$155,000
Average 2002 - 2006	$4,918,841	$5,057,825

[1] As a result of small differences in reported amounts, MDS relied on OSHPD reported numbers.

The reported charity care total charges have risen from roughly $150,000 in 2002 to $8.4 million in 2006.

MHS states that it corrected the manner of classifying charity care according to OSHPD policies, resulting in a large increase in the reported amount of charity care for 2005 and 2006. In the Asset Purchase Agreement, Prime has agreed to continue providing charity care based on the most recent three-year historical average. However, based upon the historically reported amounts of charity care, it would be more consistent to calculate an average based on the most recent two years.

The following table shows a comparison of charity care and bad debt for AMMC and all hospitals in the State of California. The four-year average of charity care and bad debt for AMMC as a percentage of gross patient revenue was 3.6%. This is higher than the statewide average of 3.1%.

CHARITY CARE COMPARISON ANAHEIM MEMORIAL MEDICAL CENTER - FY 2001 to 2005										
	2002		2003		2004		2005		2006	
	AMMC	State of Calif.	AMMC	State of Calif.	AMMC	State of Calif.	AMMC	State of Calif.	AMMC	State of Calif.
Gross Pt Revenue	$529,779,244	$127,114,241,723	$580,779,363	$150,495,549,739	$635,328,664	$163,424,851,895	$695,272,717	$179,239,418,762	$783,521,579	Not yet reported
Charity	$150,985	$1,563,404,777	$1,341,729	$1,919,126,612	$1,083,196	$2,136,025,312	$13,641,982	$2,258,882,884	$8,376,312	Not yet reported
Bad Debt	$13,477,306	$2,176,888,212	$17,980,515	$2,575,027,378	$19,198,005	$3,094,367,040	$13,012,987	$3,277,108,723	$32,225,595	Not yet reported
Total	**$13,628,291**	**$3,740,292,989**	**$19,322,244**	**$4,494,153,990**	**$20,281,201**	**$5,230,392,352**	**$26,654,969**	**$5,535,991,607**	**$40,601,907**	Not yet reported
Charity as a % of Gross Rev.	0.03%	1.2%	0.2%	1.3%	0.2%	1.3%	2.0%	1.3%	1.1%	Not yet reported
Bad Debt as a % of Gross Rev.	2.5%	1.7%	3.1%	1.7%	3.0%	1.9%	1.9%	1.8%	4.1%	Not yet reported
Total as a % of Gross Rev.	2.6%	2.9%	3.3%	3.0%	3.2%	3.2%	3.8%	3.1%	5.2%	Not yet reported
Uncompensated Care										
Cost to Charge Ratio	25.3%	30.2%	24.0%	28.1%	24.4%	27.9%	22.9%	27.0%	22.5%	Not yet reported
Charity	$38,260	$471,903,377	$322,015	$539,998,790	$264,300	$507,655,680	$3,119,921	$610,801,932	$1,884,670	Not yet reported
Bad Debt	$3,415,149	$657,079,288	$4,315,324	$724,554,420	$4,684,313	$879,714,084	$2,976,070	$886,130,199	$7,250,759	Not yet reported
Total	**$3,453,409**	**$1,128,982,665**	**$4,637,339**	**$1,264,553,210**	**$4,948,613**	**$1,387,369,764**	**$6,095,991**	**$1,496,932,131**	**$9,135,429**	Not yet reported

Source: OSHPD Disclosure Reports, AMMC fiscal years ends 12/31.

The table below shows the charges for charity care adjusted to cost based upon applying the Hospital's ratio of cost to charges for each year. The cost of charity care increased from $150,985 in FY 2002 to $8,376,312 in FY 2006. The average cost of charity care for the five-year period was $1,125,833. The average cost of charity care for the last two-year period was $2,502,295.

The cost of charity care compared to total costs was .03% in 2002 and increased to 1.1% in 2006.

ANAHEIM MEMORIAL MEDICAL CENTER COST OF CHARITY CARE				
Year	AMMC Charity Care Charges (1)	Cost to Charge Ratio	Cost of Charity Care to AMMC	Percent of Total Costs Represented by Charity Care
FY 2006	$8,376,312	22.5%	$1,884,670	1.1%
FY 2005	$13,641,982	22.9%	$3,119,921	1.9%
FY 2004	$1,083,196	24.4%	$264,300	0.2%
FY 2003	$1,341,729	24.0%	$322,015	0.2%
FY 2002	$150,985	25.3%	$38,260	0.0%

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

AMMC provided its internal record of charity care charges by department. In 2006, 52.7% of the charges were for inpatients, 33.6% of the charges were for emergency room patients and 13.7% of the charges were for outpatients.

CHARITY CARE BY SERVICE ANAHEIM MEMORIAL MEDICAL CENTER - FY 2001 to 2005				
	By Department			
	Inpatient	Outpatient	Emergency Room	Total Charges
2006:				
Charges	$4,415,233	$1,146,719	$2,814,360	$8,376,312
Cases/Visits	1,475	3,614	6,979	12,068
2005:				
Charges	$9,813,372	$2,505,938	$1,322,671	$13,641,981
Cases/Visits	3,006	7,758	5,795	16,559
2004:				
Charges	$855,382	$151,958	$75,856	$1,083,196
Cases/Visits	265	458	413	1,136
2003:				
Charges	$1,040,415	$221,755	$79,559	$1,341,729
Cases/Visits	492	931	637	2,060
2002:				
Charges	$99,644	$39,099	$12,243	$150,986
Cases/Visits	100	240	145	485
Source: AMMC				

Community Benefit Services

As required by California Senate Bill 697, AMMC has completed its annual Community Benefit Plan. The Hospital has supported initiations involving healthcare professions training, screening programs, disaster preparedness, senior healthcare and childbirth education. Key programs are described below:

Pharmacy Clerkship Training Program:

AMMC has provided free training for Pharm.D. candidates for nearly 20 years. The goal is to assist with easing community shortages of pharmacists, assure well-trained and competent pharmacist practitioners in California, and to maintain AMMC's commitment to support community health.

Pharmacy Technician Training Program:

AMMC provides non-compensated training for pharmacy technician students under affiliation agreements with Santa Ana College and North Orange County ROP. Licensed AMMC staff pharmacists and certified pharmacy technicians serve as teachers and supervisors.

Nursing Education for Students:

AMMC has partnered with local nursing institutions to support the clinical training of registered nurses, licensed vocational nurses, nursing assistants, unit secretaries and emergency medical technicians.

Community Special Events and Screenings:

AMMC provides screenings and educational opportunities related to health throughout the community at local community centers and events. Screenings may include blood pressure, flexibility, body fat, glucose and carotid artery.

OB Education Program:

AMMC offers free or low cost bilingual educational classes related to maternal health (pre/post natal) to the community.

Advanced Endovascular Institute Education and Screening Program:

This program provides bilingual community outreach and education related to endovascular disease risk factors, lifestyle modification, prevention, identification and treatment.

HeartMatters Education and Screening Program:

This program provides bilingual education, screenings and educational materials for women regarding the latest prevention techniques and treatments for heart disease.

Health Education Class Program:

This program provides bilingual health education classes related to diabetes, weight management, stress management, etc., to the community.

Senior Health Education, Outreach and Transportation Program:

This program provides seniors within community health and wellness education programs, free monthly screenings including blood pressure, body fat, carotid artery screening, etc., a walking club and transportation for medical and health related visits and events.

Worksite Screening and Education Program:

This program offers local employers the opportunity to host health screenings and bilingual education sessions, including physician lectures and nutrition education for their employees.

Pandemic and Disaster Preparedness Program:

This program offers assistance with planning, drills, education, training, supply stockpiling, etc., in preparation for a major disaster.

ANAHEIM MEMORIAL MEDICAL CENTER
COST OF COMMUNITY BENEFIT SERVICES[1]

	FY 2004	FY 2005	FY 2006	Three Year Average
Services over $10,000 in cost				
Pharmacy Clerkship Training	$ 4,535	$ 7,692	$ 113,097	$ 41,775
Pharmacy Technician Training	$ 78,470	$ 87,698	$ 10,731	$ 58,966
Nursing Education	$ 66,000	$ 130,849	$ 212,656	$ 136,502
Community Special Events	$ 85,294	$ 55,617	$ 47,886	$ 62,932
Disaster and Pandemic Reparation	$ -	$ -	$ 80,490	$ 26,830
Worksite Screenings and Education	$ 20,617	$ 33,421	$ 40,775	$ 31,604
Women and Heart Disease	$ 8,352	$ 47,434	$ 110,193	$ 55,326
OB Education	$ 20,938	$ 11,687	$ 23,906	$ 18,844
Senior Health Education	$ 14,249	$ 18,962	$ 19,086	$ 17,432
Heart Matters Education and Screening	$ -	$ -	$ 92,240	$ 30,747
Endo Vascular Education and Screening	$ -	$ -	$ 51,320	$ 17,107
All other programs and services combined	$ 353,616	$ 351,051	$ 254,248	$ 319,638
Total Community Benefit Services	**$ 652,071**	**$ 744,411**	**$ 1,056,628**	**$ 817,703**

Source: OSHPD

(1) Represents commitments of program costs for staff and materials and cash contributions

Prime Healthcare Services

Prime currently owns and operates eight hospitals, all of which are in Southern California. Five hospitals were acquired last year, while three have been operated for a year or more. Information for these three hospitals, Desert Valley Hospital ("DVH") in Victorville, Chino Valley Medical Center ("Chino") in Chino and Sherman Oaks Hospital ("SOH") in Sherman Oaks, is shown on the following table. The hospitals are licensed by the State of California Department of Health Services and accredited by either the Joint Commission on Accreditation of Healthcare Organizations or the American Osteopathic Association. DVH has been recently recognized in Solucient's 100 Top Hospitals: Benchmarks for Success program in the "Small Community Hospital" category. A profile of the hospitals is provided in the table below:

HOSPITALS OWNED BY PRIME HEALTHCARE SERVICES
FY 2005/2006

	Desert Valley Hospital	Chino Valley Medical Center*	Sherman Oaks Hospital**
Type of Care	General Acute	General Acute	General Acute
City	Victorville	Chino	Sherman Oaks
Licensed Beds	83	126	153
Patient Days	24,579	19,457	24,713
Discharges	6,919	7,214	4,637
Inpatient Surgeries	4,004	2,690	1,357
Outpatient Surgeries	4,286	5,813	2,564
Births	453	516	0
Payer Mix:			
Traditional Medicare	36.2%	25.7%	66.8%
Managed Medicare	23.2%	10.8%	4.1%
Traditional Medi-Cal	11.4%	23.0%	7.6%
Managed Medi-Cal	3.5%	11.5%	1.3%
County Indigent	0.5%	0.0%	0.0%
Traditional Third Party	2.4%	5.7%	8.9%
Managed Third Party	19.3%	21.3%	7.1%
Other Indigent	2.5%	0.0%	0.0%
Other	1.0%	2.0%	4.1%
Total	100.0%	100.0%	100.0%
Income Statement:			
Net Pt Revenue	82,525,502	76,033,630	68,572,432
Other Operating Rev.	233,847	609,512	1,288,287
Total Operating Rev.	82,759,349	76,643,142	69,860,719
Total Operating Exp.	73,214,855	52,510,221	68,860,981
Net From Operations	9,544,494	24,132,921	999,738
Nonoperating Rev.	717,625	3,213,302	(62,300)
Nonoperating Exp	776,860	400,751	(55,998)
Provision for Taxes	(1,491)	1,124,623	0
Net Income	$9,486,750	$25,820,849	$993,436
Other Financial:			
Charity Care Charges	$10,538,545	$3,118,531	$2,048,966
Bad Debt Charges	$16,801,375	$9,851,859	$11,304,013
Total Uncompensated Care	$27,339,920	$12,970,390	$13,065,368
Cost of Charity Care	$2,341,665	$696,056	$550,147
Uncompensated Care as % of Chgs.	8.3%	5.6%	4.8%
State of Calif. Uncompensated Care	3.1%	3.1%	3.1%
Fiscal Year Ending	12/31/05	12/31/05	1/31/06

* Based on revision submitted to OSHPD

** Former owners of Sherman Oaks Hospital had subtracted $19,600,000 as a negative nonoperating expense based on the gain on the sale of the facility. This amount was eliminated from the nonoperating expense category

Source: OSHPD Financial Disclosure Reports

Some important observations about the table include:

- County indigent volumes are either small or non-existent because of the presence of County Hospitals in Los Angeles and San Bernardino Counties.
- The proportion of uncompensated care charges (bad debt and charity care) provided by these three hospitals far exceeds statewide hospital averages.
- While all three hospitals are profitable, according to Prime Executives, Chino's profitability is overstated because of the Hospital sales transaction and related treatment of expenses and debt.
- DVH and Chino both treat a sizeable number of Medi-Cal patients (15% and 35% respectively).
- DVH and Chino both treat a sizeable number of managed care patients.

Prime Health Services Map

A map of the eight hospitals that are owned and operated by Prime Health Services is shown in the map below. Of the eight hospitals, three are in San Bernardino County, three are located in Orange County, one is in Los Angeles County and one is in San Diego County (not included on the map).

Pushpins

1. West Anaheim Medical Center
2. Sherman Oaks Hospital
3. Montclair Hospital Medical Center
4. La Palma Intercommunity Hospital
5. Huntington Beach Hospital
6. Desert Valley Hospital
7. Chino Valley Medical Center
8. Paradise Valley Hospital

The following table shows a profile of the three other Orange County hospitals prior to acquisition by Prime. All three are small hospitals, two of which were losing money on operations in the most recent fiscal year.

HOSPITALS OWNED AND RECENTLY PURCHASED BY PRIME HEALTHCARE SERVICES FY 2005/2006			
	Huntington Beach Hospital	West Anaheim Medical Center	La Palma Intercommunity
Type of Care	General Acute	General Acute	General Acute
City	Huntington Bch	Anaheim	La Palma
Licensed Beds	131	219	141
Patient Days	26,465	32,870	22,744
Discharges	4,422	6,211	4,731
Inpatient Surgeries	859	1,367	639
Outpatient Surgeries	1,628	793	1,351
Births	0	0	741
Payer Mix:			
Traditional Medicare	36.3%	44.2%	27.3%
Managed Medicare	7.7%	10.3%	0.0%
Traditional Medi-Cal	10.7%	2.9%	20.5%
Managed Medi-Cal	4.3%	5.2%	0.0%
County Indigent	6.2%	5.9%	0.0%
Traditional Third Party	14.3%	3.1%	3.8%
Managed Third Party	15.3%	26.0%	48.0%
Other Indigent	1.6%	0.5%	0.0%
Other	3.9%	2.0%	0.3%
Total	100.0%	100.0%	100.0%
Income Statement:			
Net Pt Revenue	46,751,931	57,104,498	42,009,146
Other Operating Rev.	418,851	595,213	215,264
Total Operating Rev.	47,170,782	57,699,711	42,224,410
Total Operating Exp.	51,140,769	59,560,342	42,183,161
Net From Operations	($3,969,987)	($1,860,631)	41,249
Nonoperating Rev.	4,820,216	945,110	5,514,844
Nonoperating Exp	0	2,479	763
Provision for Taxes	0	0	0
Net Income	$850,229	-$918,000	$5,555,330
Other Financial:			
Charity Care Charges	$1,536,037	$2,157,644	$330,809
Bad Debt Charges	$4,993,222	$7,092,358	$2,467,535
Total Uncompensated Care	$6,529,259	$9,250,002	$2,798,344
Cost of Charity	$339,758	$508,872	$86,698
Uncompensated Care as % of Chgs.	2.8%	3.7%	1.7%
State of Calif. Uncompensated Care	3.1%	3.1%	3.1%
Fiscal Year Ending	6/30/06	6/30/06	6/30/06
Source: OSHPD Financial Disclosure Reports			

Because these hospitals were only recently acquired, no comparisons were available regarding change in financial status before and after acquisition.

Prime's Chairman, Dr. Prem Reddy, stated that the organization's goal is to successfully operate small primary and secondary care hospitals. He has also stated Prime's commitment to maintain or expand key services, add new services, and continue providing historical levels of charity care.

Prime's business strategies to turn around acquired, financially distressed hospitals have included:

- Cancellation of existing managed care contracts and a re-negotiation for higher rates for contracted insurers. Non-contracted insurers get billed at non-discounted rates;
- Capital investment in equipment and facility upgrades;
- Use of 24 hour-a-day Hospitalist services and medical oversight and management programs to reduce the average length of stay. This is especially important with regard to Medicare patients where the combination of a lower length of stay that decreases costs and a fixed payment per patient increases profitability;
- Close monitoring and control of costs that include elimination of some physician contracts, such as physician specialty "on call coverage payments" when they are not dictated by either market conditions or required to maintain necessary hospital services;
- Emphasizing policies or facilities expansion to increase patient volume in the emergency department while reducing ambulance diversions and patient waiting time;
- Financing acquisitions and capital investment improvements by virtue of the sale-lease back of facilities to a REIT (Real Estate Investment Trust). Prime has used Medical Properties Trust in prior transactions and intends to do so for AMMC but after the transaction closes. Medical Properties Trust is a real estate company that is traded on the New York Stock Exchange (symbol MPW). It acquires, develops and leases healthcare facilities providing healthcare services. Facilities are leased to experienced healthcare operators pursuant to long-term net leases that require the tenant to bear most of the costs associated with the property. Properties include acute care hospitals, rehabilitation hospitals, ambulatory surgery centers, medical office buildings, and other types of healthcare facilities.

Anaheim Memorial Service Area Definition

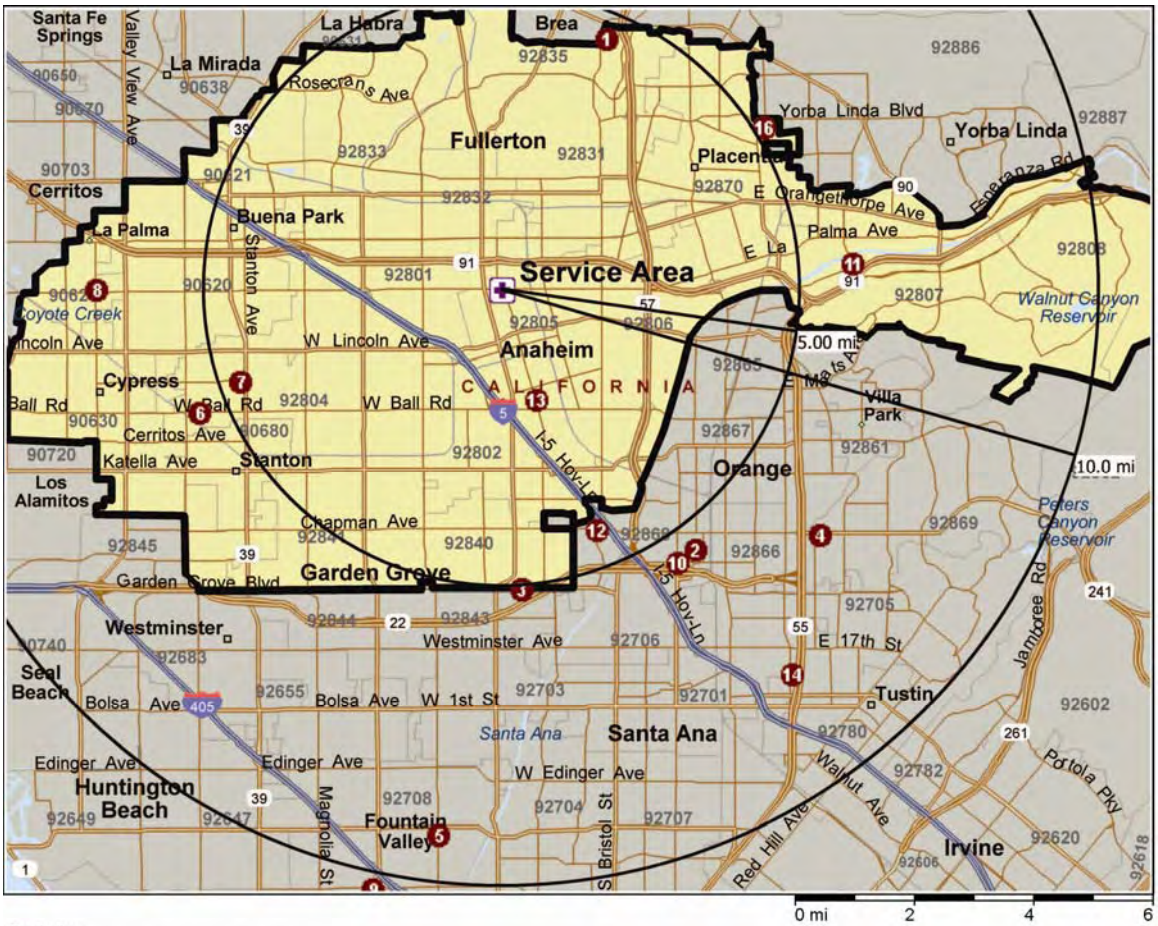
Approximately 72% of AMMC's discharges come from a combination of 19 area ZIP Codes. Approximately 44% of AMMC's discharges emanate from the top five ZIP Codes in the service area.

ANAHEIM MEMORIAL MEDICAL CENTER PATIENT ORIGIN AND MARKET SHARE						
ZIPs	City	AMMC Discharges	% of Discharges	Cumm % of Discharges	Total Market Discharges	Market Share
92801	Anaheim	2,027	14.2%	14.2%	6,528	31.1%
92804	Anaheim	1,417	10.0%	24.2%	9,398	15.1%
92805	Anaheim	1,287	9.0%	33.2%	6,018	21.4%
92833	Fullerton	794	5.6%	38.8%	4,044	19.6%
90620	Buena Park	766	5.4%	44.2%	4,936	15.5%
92802	Anaheim	703	4.9%	49.1%	3,956	17.8%
92806	Anaheim	541	3.8%	52.9%	3,211	16.8%
90621	Buena Park	367	2.6%	55.5%	2,778	13.2%
92832	Fullerton	364	2.6%	58.1%	2,164	16.8%
92870	Placentia	301	2.1%	60.2%	4,417	6.8%
92807	Anaheim	259	1.8%	62.0%	3,080	8.4%
92840	Garden Grove	254	1.8%	63.8%	4,912	5.2%
90680	Stanton	252	1.8%	65.6%	3,038	8.3%
92831	Fullerton	244	1.7%	67.3%	2,858	8.5%
90630	Cypress	219	1.5%	68.8%	4,108	5.3%
92841	Garden Grove	202	1.4%	70.2%	3,038	6.6%
90623	La Palma	99	0.7%	70.9%	1,233	8.0%
92835	Fullerton	94	0.7%	71.6%	2,186	4.3%
92808	Anaheim	80	0.6%	72.1%	1,353	5.9%
Other ZIPs		3,965	27.9%	100.0%		
Total		**14,235**			**73,256**	

Source: OSHPD 2005

Anaheim Memorial Medical Center Service Area Map

AMMC's service area is shown in the map below. There are 15 other acute hospitals within a 10 mile radius of AMMC. Four of those hospitals are within a 5 mile radius. Prime owns West Anaheim Medical Center which is within five miles of AMMC and La Palma Intercommunity Hospital which is within 10 miles of AMMC.



Pushpins

- Anaheim Memorial Medical Center
- 1 St. Jude Medical Center
- 2 St. Joseph Hospital
- 3 Garden Grove Hospital MC
- 4 Chapman Medical Center
- 5 Fountain Valley Regional Hospital MC
- 6 Anaheim General Hospital
- 7 West Anaheim Medical Center
- 8 La Palma Intercommunity Hospital
- 9 Orange Coast Memorial MC
- 10 Children's Hospital of Orange County
- 11 Kaiser Fnd Hospital - Anaheim
- 12 Univ Calif - Irvine MC
- 13 Western Medical Ctr Hospital - Anaheim
- 14 Western Medical Ctr Hospital - Santa Ana
- 15 Los Alamitos Medical Center
- 16 Placentia Linda Hospital

Service Area

- Service Area

Demographic Profile

AMMC's service area has a total population of 800,025 (2007 estimate). It is projected to grow by 3.8% over the next five years, which is lower than the expected California growth rate of 4.1%.

ANAHEIM MEMORIAL MEDICAL CENTER SERVICE AREA POPULATION STATISTICS 2007 & 2012			
	2007	2012	% Change
Total Population	800,025	830,715	3.8%
Households	239,481	245,272	2.4%
% Female	50.3%		
Source: Claritas, 2007			

The average age of the population in the service area is 34.7 years. For the State of California, it is 33.7. The percentage of adults between the ages 45-64 is expected to grow at a faster rate than any other age group. Meanwhile, the percentage of youth between the ages 0-14 and younger adults between the ages 15-44 in the service area will decrease by more than 2.5% and 4.7%, respectively. The percentage of seniors is lower than the current statewide average of 12%, but it is expected to increase by 7.9% over the next five years.

ANAHEIM MEMORIAL MEDICAL CENTER SERVICE AREA POPULATION AGE DISTRIBUTION 2007 & 2012			
	2007	2012	% Change
Age 0-14	23.8%	23.2%	-2.5%
Age 15 - 44	43.7%	41.6%	-4.7%
Age 45 - 64	22.4%	24.3%	8.5%
Age 65+	10.1%	10.9%	7.9%
Female 15 - 44	21.8%	20.8%	-4.6%
Average Age	34.7	35.6	2.6%
Source: Claritas 2007			

The Hispanic population is the largest ethnic group in the service area, making up 42.2%, and is projected to grow to 45.3% by 2012. The Asian population is expected to grow at the fastest rate in the service area over the next five years, with a growth projection of 12.4%. The Black population is expected to remain the same while the White population is expected to decline by 17.5%.

ANAHEIM MEMORIAL MEDICAL CENTER SERVICE AREA POPULATION ETHNICITY 2007 & 2012			
	2007	2012	% Change
White	32.6%	26.9%	-17.5%
Black	2.5%	2.5%	0.0%
Hispanic	42.2%	45.3%	7.3%
Asian	19.4%	21.8%	12.4%
Other	3.3%	3.5%	6.1%
Source: Claritas 2007			

The service area's average household income (aggregate household income divided by total households) is $73,494, and is projected to grow by 12.5% to $80,983 in the next five years. This is considerably higher than the statewide average household income of $63,000. Approximately 9% of households in the service area are below the federal poverty level ($15,260 for a family of three in 2006).

ANAHIEM MEMORIAL MEDICAL CENTER SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION 2007 & 2012			
	2007	2012	% Change
$0 - $14,999	8.6%	7.8%	-9.7%
$15,000 - 24,999	8.6%	7.7%	-10.9%
$25,000 - 34,999	10.2%	9.2%	-10.2%
$35,000 - 49,999	15.8%	14.7%	-6.9%
$50,000 - 74,999	20.7%	19.9%	-3.5%
$75,000 - 99,999	13.9%	14.1%	1.8%
$100,000 - 149,999	14.6%	16.5%	12.6%
$150,000 +	14.8%	10.2%	-31.3%
Average HH Income	$73,494	$80,983	10.2%
Source: Claritas 2007			

Area Payer/Insurance Mix

Nearly 15% of the service area population is Medi-Cal eligible. This is lower than the State average of 18%. Percentages of Medi-Cal eligibles for ZIP Codes within the service area range from 3.2% to 22.3%.

The ZIP Codes closest to the Hospital have high percentages of Medi-Cal eligibles (20.0%-22.5%).

MEDI-CAL ELIGIBLES BY ZIP				
ZIP	City	Eligibles	Population	%
92801	Anaheim	13,819	62,686	22.0%
92804	Anaheim	16,883	84,220	20.0%
92805	Anaheim	16,001	71,242	22.5%
92833	Fullerton	5,648	47,717	11.8%
90620	Buena Park	4,881	45,989	10.6%
92802	Anaheim	9,523	46,654	20.4%
92806	Anaheim	5,287	35,577	14.9%
90621	Buena Park	6,205	34,684	17.9%
92832	Fullerton	4,482	25,330	17.7%
92870	Placentia	5,145	49,859	10.3%
92807	Anaheim	1,731	37,543	4.6%
92840	Garden Grove	10,590	52,419	20.2%
90680	Stanton	6,851	30,697	22.3%
92831	Fullerton	3,365	35,787	9.4%
90630	Cypress	3,082	48,997	6.3%
92841	Garden Grove	6,884	32,509	21.2%
90623	La Palma	910	15,999	5.7%
92835	Fullerton	1,051	21,851	4.8%
92808	Anaheim	654	20,263	3.2%
TOTAL		**122,992**	**800,025**	**15.4%**

* PO Boxes
Sources: DHS Website (as of 01/07), US Census Bureau, Claritas 2007

Selected Health Indicators

With approximately 579,000 uninsured children and adults, Orange County's access to healthcare and health insurance are important issues to consider. This number represents 9% of the 6.5 million uninsured Californians statewide. Of the 579,000 uninsured, 475,000 are non-elderly adults residing in Orange County. Approximately 21.3% of the non-elderly adult population is uninsured in Orange County compared to 20.2% statewide. Roughly 11.8% of the non-elderly adult population in Orange County is covered by Medi-Cal.[2]

A review of health status indicators[3] for Orange County (deaths, diseases and births) supports the following conclusions:

- The area faces some challenges related to obstetrics and prenatal care (Refer to Table A);
  - While the infant mortality rate (4.6 per 1,000 births) is almost equal to the national goal (4.5), and lower than the California rate (5.3), the percentage of low birth weight infants (6.1%) is higher than the national goal (5.0%).
- The overall mortality rate is much lower than both the national goal and the California mortality rate (Refer to Table B). Chronic diseases are the main cause of death, with heart disease and cancer accounting for almost half the mortality rate; and
- Chlamydia is the most frequently reported disease in the county, but at a lower rate than the statewide incidence rate. The rates of incidence of AIDS and TB are both lower than the statewide rate (Refer to Table C).

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

Table A: Natality Statistics 2006

Health Status Indicator	Orange County	California	National Goal
Low Birth Weight Infants	6.1%	6.6%	5.0%
Late or No Prenatal Care	8.5%	13.0%	10.0%
Birth Rate to Adolescents (per 1,000 births)	31.1	39.2	N/A
Infant Mortality Rate (per 1,000 births)	4.6	5.3	4.5

[2] Source: *2005 California Health Interview Survey*, UCLA Center for Health Policy Research
[3] Source: California Department of Health Services County Health Status Profiles 2006

Table B: Mortality Statistics, 2006 Rate per 100,000 Population			
Selected Cause	**Orange County**	**California**	**National Goal**
Cancer	133.9	164.1	158.5
Heart Disease	140.7	164.7	162.0
Cerebrovascular Disease	45.8	52.4	50.0
Unintentional Injuries	21.9	29.3	17.1
Diabetes	14.6	21.3	N/A
Suicide	8.2	9.4	4.8
Drug-Related Deaths	7.9	10.0	1.2
All Causes	564.9	704.6	N/A

Table C: Morbidity Statistics, 2006 Incidence Rate per 100,000 Population			
Health Status Indicator	**Orange County**	**California**	**National Goal**
Hepatitis C	0.09	0.13	1.0
AIDS	8.05	13.72	1.0
Tuberculosis	7.80	8.71	1.0
Chlamydia	191.47	324.31	N/A

Hospital Supply, Demand and Market Share

There are 15 general acute care hospitals (including Kaiser) within 12 miles of AMMC. Additional hospitals beyond this geographic region also have a significant market share of area patients because of their specialized programs, referral patterns, and reputation.

An analysis of the services offered by AMMC in comparison to services offered by other providers is shown below. The hospitals shown below were the primary facilities analyzed to determine area hospital capacity by service. In general, the service area currently has sufficient, capacity overall with substantial excess capacity at many hospitals.

AREA HOSPITALS							
Facility	Ownership/Affiliation	City	Licensed Beds	Days	Occupied Beds	Percent Occupied	Miles from SMCSR
Anaheim Memorial Medical Center	**Memorial Health Services**	**Anaheim**	**223**	**59,881**	**164.1**	**73.6%**	**-**
Western Medical Center Hospital - Anaheim	Integrated Healthcare Holdings	Anaheim	188	35,186	96.4	51.3%	3.6
St. Jude Medical Center	St. Joseph Health System	Fullerton	359	80,988	221.9	61.8%	3.9
West Anaheim Medical Center	Prime Healthcare Services	Anaheim	219	32,870	90.1	41.1%	5.3
University of California Irvine Medical Center	Regents of the University of CA	Orange	453	103,904	284.7	62.8%	6.2
Garden Grove Hospital and Medical Center	Tenet Healthcare Corporation	Garden Grove	167	26,180	71.7	42.9%	6.4
Anaheim General Hospital*	Pacific Health Corporation	Anaheim	101	11,602	31.8	31.5%	6.5
La Palma Intercommunity Hospital	Prime Healthcare Services	La Palma	141	22,744	62.3	44.2%	7.4
Placentia Linda Hospital	Tenet Healthcare Corporation	Placentia	114	13,663	37.4	32.8%	8.0
St. Joseph Hospital	St. Joseph Health System	Orange	412	88,183	241.6	58.6%	8.0
Western Medical Center Hospital - Santa Ana*	Integrated Healthcare Holdings	Santa Ana	282	57,806	158.4	56.2%	10.7
Chapman Medical Center	Integrated Healthcare Holdings	Orange	114	26,342	72.2	63.3%	10.7
Los Alamitos Medical Center	Tenet Healthcare Corporation	Los Alamitos	167	42,155	115.5	69.2%	11.6
Fountain Valley Rgnl Hospital and Med Ctr. - Euclid	Tenet Healthcare Corporation	Fountain Valley	400	74,679	204.6	51.2%	11.6
Orange Coast Memorial Medical Center	Memorial Health Services	Fountain Valley	224	41,666	114.2	51.0%	11.9
SUB-TOTAL			**3,564**	**717,849**	**1,966.7**	**55.2%**	
OTHER HOSPITALS:							
Kaiser Fnd Hosp - Anaheim	Kaiser Foundation	Anaheim	200	46,458	127.3	63.6%	7.6
Children's Hospital of Orange County	CHOC/NFP	Orange	202	53,510	146.6	72.6%	7.9
Earl and Lorraine Miller Children's Hospital	Memorial Health Services	Long Beach	281	80,973	221.8	78.9%	20.4
SUB-TOTAL			**683**	**180,941**	**495.7**	**72.6%**	
TOTAL			**4,247**	**898,790**	**2,462.4**	**58.0%**	

Source: OSHPD Disclosure Reports (most recent closed fiscal year), MapPoint.

*Source: ALIRTS 2006 Reports

As indicated in the table below, the following are key hospital statistics for the service area:

- There were more than 74,503 total discharges (2005);

- AMMC had the largest market share[4] in each of the three years, as determined by the percentage of inpatient discharges, with approximately 14.0%;
- AMMC is in a very competitive market with 14 other hospitals which together account for about 84% of the market share; and
- The total number of inpatient discharges has decreased slightly over the three years despite population growth.

SERVICE AREA HOSPITAL MARKET SHARE 2003-2005

	Year 2003		Year 2004		Year 2005	
Hospitals	**Discharges**	**Mkt Share**	**Discharges**	**Mkt Share**	**Discharges**	**Mkt Share**
Anaheim Memorial Medical Center	10,621	14.3%	9,810	13.5%	10,270	14.0%
St. Jude Medical Center	6,949	9.3%	6,675	9.2%	6,838	9.3%
University of California Irvine Medical Center	5,839	7.8%	5,888	8.1%	5,795	7.9%
West Anaheim Medical Center	5,473	7.3%	5,536	7.6%	5,370	7.3%
Western Medical Center Hospital - Anaheim	5,278	7.1%	5,081	7.0%	4,381	6.0%
St. Joseph Hospital - Orange	4,520	6.1%	4,657	6.4%	4,829	6.6%
Kaiser Fnd Hosp - Anaheim	4,534	6.1%	4,696	6.5%	4,775	6.5%
Garden Grove Hospital And Medical Center	3,018	4.1%	3,035	4.2%	3,217	4.4%
Fountain Valley Rgnl Hosp and Med Ctr - Euclid	2,861	3.8%	2,642	3.6%	2,596	3.5%
Children's Hospital Of Orange County	2,710	3.6%	2,512	3.5%	2,596	3.5%
La Palma Intercommunity Hospital	2,357	3.2%	2,397	3.3%	2,316	3.2%
Anaheim General Hospital	2,340	3.1%	2,173	3.0%	2,164	3.0%
Western Medical Center - Santa Ana	2,072	2.8%	2,038	2.8%	2,091	2.9%
Placentia Linda Hospital	2,124	2.9%	1,890	2.6%	2,143	2.9%
Los Alamitos Medical Center	1,646	2.2%	1,585	2.2%	1,743	2.4%
All Others	12,161	16.3%	12,122	16.7%	12,132	16.6%
Total	**74,503**	**100%**	**72,737**	**100%**	**73,256**	**100%**

Source: OSHPD

Denotes market leader

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

SERVICE AREA MARKET SHARE BY PAYER - 2005												
Hospitals	Total Discharges	Total	Traditional Medicare	Managed Medicare	Commercial Managed Care	Traditional MediCal	Managed MediCal	Private Insurance	PPO-EPO-POS	County Indigent	Workers Compensation	Other
Anaheim Memorial Medical Center	**10,270**	**14.0%**	**15.9%**	**21.0%**	**15.0%**	**6.7%**	**12.8%**	**4.6%**	**13.2%**	**17.9%**	**2.5%**	**14.4%**
St. Jude Medical Center	6,838	9.3%	13.7%	15.9%	7.2%	1.6%	3.9%	1.0%	20.8%	5.8%	5.7%	5.2%
University Of California Irvine Medical Center	5,795	7.9%	6.1%	1.8%	2.4%	8.3%	24.2%	6.1%	7.2%	24.2%	8.9%	18.4%
West Anaheim Medical Center	5,370	7.3%	13.7%	9.9%	7.2%	1.9%	3.7%	1.6%	1.6%	16.6%	2.8%	2.3%
St. Joseph Hospital - Orange	4,829	6.6%	6.0%	0.3%	8.7%	4.4%	5.7%	50.3%	2.9%	2.8%	12.6%	1.8%
Kaiser Fnd Hosp - Anaheim	4,775	6.5%	0.9%	16.7%	16.7%	0.1%	2.9%	0.0%	0.0%	0.0%	2.5%	2.8%
Western Medical Center Hospital - Anaheim	4,381	6.0%	3.4%	1.2%	0.7%	26.5%	5.9%	1.7%	2.0%	3.1%	1.0%	13.2%
Garden Grove Hospital And Medical Center	3,217	4.4%	3.2%	2.2%	2.6%	14.4%	5.0%	1.1%	1.9%	3.8%	2.0%	2.9%
Fountain Valley Rgnl Hosp And Med Ctr - Euclid	2,596	3.5%	3.2%	0.8%	3.7%	2.6%	7.3%	0.2%	5.5%	4.8%	1.6%	3.2%
Children's Hospital Of Orange County	2,596	3.5%	0.0%	0.0%	3.0%	8.9%	10.9%	4.6%	4.4%	0.0%	0.0%	2.2%
La Palma Intercommunity Hospital	2,316	3.2%	3.6%	2.3%	3.9%	3.2%	2.4%	1.8%	2.5%	4.4%	0.8%	1.6%
Anaheim General Hospital	2,164	3.0%	6.2%	0.7%	0.4%	4.8%	2.6%	1.5%	0.4%	3.2%	0.3%	5.9%
Placentia Linda Hospital	2,143	2.9%	3.0%	3.3%	3.5%	3.8%	0.6%	3.5%	1.6%	3.3%	7.4%	2.2%
Western Medical Center - Santa Ana	2,091	2.9%	1.5%	2.0%	2.3%	3.4%	6.9%	0.4%	2.2%	3.7%	3.8%	6.5%
Los Alamitos Medical Center	1,743	2.4%	2.6%	5.2%	3.0%	0.9%	1.0%	1.1%	1.7%	1.4%	5.6%	1.2%
All Other	12,132	16.6%	16.9%	16.7%	19.9%	8.6%	4.3%	20.7%	32.1%	4.8%	42.5%	16.2%
Total	**73,256**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Discharges			**17,403**	**6,971**	**18,761**	**9,414**	**7,052**	**1,904**	**5,867**	**1,755**	**609**	**3,520**
% of Discharges			**23.8%**	**9.5%**	**25.6%**	**12.9%**	**9.6%**	**2.6%**	**8.0%**	**2.4%**	**0.8%**	**4.8%**
Source:OSHPD 2005												

Denotes market leader

- The largest category of inpatient discharges by payer is commercial managed care with over 18,000 discharges (25.6%). Kaiser Foundation Hospital in Anaheim is the market share leader in this category with 16.7% market share. Anaheim Memorial Medical Center is second in the market with 15.0%;

- AMMC leads the service area in discharges for traditional Medicare (15.9%), managed Medicare (21.0%) and County indigent (17.9%);

- AMMC has a small market share of traditional MediCal, private insurance patients and workers compensation payer categories;

- AMMC has about 12.8% of managed Medi-Cal discharges; and

- AMMC is second in market share for commercial managed care. Its relatively high market share is partially attributable to its designation by Kaiser as a "Plan" hospital, which means that Kaiser refers its patients to AMMC for care by its own physicians who are on the staff at AMMC. Kaiser's use of AMMC has increased over the last three years with over 2,000 inpatient admissions and over 2,300 emergency department visits in 2006.

ANAHEIM MEMORIAL MEDICAL CENTER KAISER DISCHARGES

Service Line	Year 2005
Oncology	38
Meidcal - Cardiovascular	595
Medical - Genitourinary	53
Medical - GI	281
Medical - Other	116
Medical - Respiratory	266
Medical - Neurology	67
Orthopedic	27
Surgical - Cardiovascular	82
Surgical - Genitourinary	28
Surgical - GI	27
All Other	51
Total Discharges	**1,631**

Source: OSHPD

- Kaiser's plan to open its new Irvine Hospital in mid-2008 will make services available to South Orange County Kaiser patients and reduce, but not eliminate, its need to use AMMC for North Orange County patients.

ANAHEIM MEMORIAL MEDICAL CENTER MARKET SHARE BY SERVICE LINE - 2005										
Service Line	No. of Discharges	Anaheim Memorial Medical Center	St. Jude Medical Center	University of California Irvine Medical Center	West Anaheim Medical Center	St. Joseph Hospital - Orange	Kaiser Fnd Hosp - Anaheim	Western Medical Center Hospital - Anaheim	Garden Grove Hospital And Medical Center	All Other
Complicated Deliveries	4,647	**9.7%**	6.7%	6.5%	0.0%	9.7%	10.1%	14.7%	11.7%	31.0%
Normal Deliveries	8,087	**10.9%**	6.9%	3.8%	0.0%	8.7%	9.9%	17.8%	10.5%	31.3%
High-Risk Newborns	3,068	**9.0%**	5.9%	13.9%	0.0%	9.9%	10.2%	10.0%	7.7%	33.4%
Oncology	2,029	**14.8%**	9.8%	9.6%	8.3%	6.8%	6.0%	1.7%	2.3%	40.7%
Other Ob	1,067	**11.5%**	7.3%	13.0%	2.0%	9.9%	8.0%	13.6%	5.9%	28.8%
Pediatrics	2,051	**0.3%**	3.1%	11.5%	0.2%	0.0%	6.6%	0.1%	0.2%	77.9%
Psychiatry	3,813	**0.9%**	0.4%	13.1%	8.8%	7.4%	0.2%	19.5%	0.1%	49.7%
Rehabilitation	501	**0.0%**	33.7%	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	49.1%
Substance Abuse	585	**5.6%**	1.7%	8.0%	5.8%	18.6%	1.5%	7.7%	2.4%	48.5%
Burn	93	**1.1%**	0.0%	51.6%	0.0%	2.2%	1.1%	0.0%	0.0%	44.1%
Chemotherapy	283	**15.9%**	4.6%	18.7%	3.2%	8.1%	7.8%	0.0%	0.0%	41.7%
Medical - Cardiovascular	8,679	**22.8%**	11.5%	5.5%	13.4%	4.1%	5.6%	1.9%	3.0%	32.1%
Medical - Ent	331	**24.5%**	10.3%	6.6%	11.5%	5.7%	7.3%	2.4%	3.9%	27.8%
Medical - Genitourinary	1,695	**19.2%**	7.3%	6.5%	9.1%	4.9%	6.8%	1.6%	3.9%	40.6%
Medical - Gi	6,758	**20.8%**	10.0%	6.5%	11.1%	5.2%	6.7%	2.2%	3.9%	33.5%
Medical - Gynecology	177	**15.8%**	10.7%	9.6%	2.8%	7.9%	18.1%	1.7%	1.1%	32.2%
Medical - Ophthalmology	74	**9.5%**	2.7%	13.5%	5.4%	1.4%	6.8%	2.7%	2.7%	55.4%
Medical - Other	4,147	**14.0%**	9.2%	10.1%	14.1%	4.1%	6.4%	2.0%	3.6%	36.7%
Medical - Respiratory	5,365	**19.1%**	9.2%	5.0%	15.2%	4.7%	4.8%	2.6%	3.9%	35.5%
Medical - Neurology	1,913	**16.8%**	8.5%	16.1%	8.7%	3.7%	5.0%	2.2%	2.4%	36.6%
Orthopedic	5,383	**9.5%**	16.9%	6.3%	7.3%	9.1%	5.1%	1.0%	2.4%	42.2%
Plastic Surgery	360	**7.2%**	4.7%	12.2%	6.1%	8.9%	9.7%	1.9%	3.6%	45.6%
Surgical - Cardiovascular	2,750	**21.5%**	16.1%	5.5%	7.6%	6.9%	2.2%	3.0%	0.8%	36.3%
Surgical - Ent	472	**8.9%**	6.8%	14.2%	13.1%	3.6%	5.7%	1.7%	2.1%	43.9%
Surgical - Genitourinary	1,448	**16.8%**	12.1%	9.1%	5.1%	6.4%	8.1%	1.6%	4.2%	36.7%
Surgical - Gi	3,344	**15.0%**	11.0%	7.3%	6.2%	6.7%	8.3%	2.7%	3.3%	39.4%
Surgical - Gynecology	1,789	**13.6%**	11.7%	6.4%	1.2%	10.2%	6.7%	2.5%	2.4%	45.3%
Surgical - Neuro	625	**5.3%**	9.6%	14.2%	2.2%	9.0%	9.0%	0.8%	0.3%	49.6%
Surgical - Ophthalmology	37	**2.7%**	5.4%	24.3%	2.7%	0.0%	10.8%	0.0%	0.0%	54.1%
Surgical - Other	1,312	**9.9%**	7.5%	9.3%	7.4%	7.2%	6.6%	1.4%	2.7%	48.1%
All Other	373	**10.2%**	6.7%	20.1%	2.4%	4.6%	4.8%	9.7%	3.8%	37.8%
Total Discharges	**73,256**	**10,270**	**6,838**	**5,795**	**5,370**	**4,829**	**4,775**	**4,381**	**3,217**	**27,781**
Total Market Share		**14.0%**	**9.3%**	**7.9%**	**7.3%**	**6.6%**	**6.5%**	**6.0%**	**4.4%**	**37.9%**

Source: OSHPD

Denotes market leader

- AMMC is the market leader with an overall market share of 14.0% for this area;
- AMMC is the market share leader for 14 of the 29 service lines profiled; and
- The highest number of service line discharges was in medical-cardiovascular medicine with 8,679 discharges. AMMC was the market leader with 22.8% in this service line;

AMMC has an array of services that are typical for a community hospital. Except for open heart surgery, neonatal intensive care, breast cancer screening and chemotherapy, the majority of services offered at AMMC are also provided by other hospitals in or near the service area.

The following grid shows a comparison of local hospitals and the services they provide as compared to the services of AMMC:

SERVICE COMPARISON																	
Program/Service	Anaheim Memorial Medical Center	Western Medical Center Hospital - Anaheim	St. Jude Medical Center	West Anaheim Medical Center	University of California-Irvine Medical Center	Garden Grove Hospital and Medical Center	Anaheim General Hospital	La Palma Intercommunity Hospital	Placentia-Linda Hospital	St. Joseph Hospital	Western Medical Center Hospital - Santa Ana	Chapman Medical Center	Los Alamitos Medical Center	Fountain Valley Rgnl Hospital and Med Ctr	Orange Coast Memorial Medical Center	Kaiser Foundation Hospital - Anaheim	Children's Hospital of Orange County
Airborne Infection Isolation Room	√	√	√		√		√			√					√		
Auxiliary Organization	√		√		√					√					√		
Birthing Room-LDR Room-LDRP Room	√	√	√		√	√	√			√					√	√	
Breast Cancer Screening-Mammography	√		√		√					√					√	√	
Cardiac Intensive Care Services	√				√					√						√	
Cardiac Catheterization Laboratory	√	√	√	√	√			√		√			√	√	√	√	
Adult Cardiac Surgery	√	√	√	√	√			√	√	√	√			√			
Cardiac Rehabilitation	√	√	√				√			√							
Case Management	√	√	√		√	√	√			√					√	√	√
Chaplaincy/Pastoral Care	√	√	√		√	√				√					√		√
Chemotherapy	√		√		√					√					√	√	√
Community Health Reporting, Assessment and Planning	√	√	√		√	√	√			√					√	√	√
Crisis Prevention	√														√		
Emergency Department	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	
Health Fair, Education and Screenings	√	√	√		√	√	√			√					√	√	√
Hospital-Based Outpatient Care Center Services	√		√	√	√			√	√	√	√	√	√		√	√	√
Linguistic/Translation Services	√	√	√		√		√			√					√	√	√
Medical Surgical Intensive Care Services	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	
Neonatal Intensive Care Services	√	√	√		√						√			√	√	√	√
Neurological Services	√		√		√					√					√	√	√
Nutrition Programs	√		√		√	√				√					√	√	√
Obstetrics Services	√	√	√		√	√	√	√	√	√					√	√	
Occupational Health Services	√		√		√			√		√	√			√	√	√	√
Oncology Services	√		√		√					√					√	√	√
Orthopedic Services	√	√	√		√					√					√	√	√
Other Special Care	√				√					√					√	√	
Outpatient Surgery	√	√	√	√	√	√	√	√	√	√	√	√	√		√	√	√
Patient Controlled Analgesia (PCA)	√	√	√		√	√	√			√					√	√	√
Patient Education Center and Representative Services	√		√		√					√					√	√	√
Physical Rehabilitation Outpatient Services	√		√	√	√			√	√		√	√	√	√	√		√
CT Scanner	√	√	√		√	√	√			√					√	√	√
Diagnostic Radioisotope Facility	√		√		√	√				√					√	√	
Magnetic Resonance Imaging (MRI)	√		√		√	√		√		√					√	√	√
Single Photon Emiss. Computerized Tomog. (SPECT)	√		√		√					√							
Ultrasound	√	√	√		√	√	√			√					√	√	
Social Work Services	√	√	√	√	√	√	√	√		√	√		√	√	√	√	√
Sports Medicine	√		√							√					√		
Support Groups	√		√		√	√				√					√		√
Tobacco Treatment/Cessation Program	√		√		√					√					√		
Transportation to Health Services	√		√				√								√	√	√
Virtual Colonoscopy	√		√		√												
Volunteer Services Department	√	√	√		√	√				√					√	√	√
Women's Health Center/Services	√	√	√		√					√					√		

Source: American Hospital Association Guide(2006), OSHPD License

Medical/Surgical Beds

Including AMMC and the 14 area hospitals within 12 miles of AMMC, there are a total of 2,047 licensed medical/surgical beds available. Of the 2,047 licensed beds[5], an average of 56.9% are occupied. Therefore, excluding AMMC, the service area has 882 licensed beds unoccupied.

SERVICE AREA MEDICAL/SURGICAL SERVICES						
Facility	Miles from AMMC	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
Anaheim Memorial Medical Center	**-**	**153**	**11,524**	**43,717**	**119.8**	**78.3%**
Western Medical Center Hospital - Anaheim*	3.6	35	1,520	6,813	18.7	53.3%
St. Jude Medical Center - Fullerton	3.9	160	8,471	42,386	116.1	72.6%
West Anaheim Medical Center	5.3	147	5,672	19,674	53.9	36.7%
University of California Irvine Medical Center	6.2	210	10,399	50,689	138.9	66.1%
Garden Grove Hospital and Medical Center	6.4	108	3,634	14,741	40.4	37.4%
Anaheim General Hospital	6.5	70	1,870	8,263	22.6	32.3%
La Palma Intercommunity Hospital	7.4	78	3,172	10,138	27.8	35.6%
Kaiser Fnd Hosp - Anaheim	7.6	117	7,736	31,820	87.2	74.5%
Placentia Linda Hospital	8.0	96	3,875	12,210	33.5	34.8%
St. Joseph Hospital - Orange	8.0	276	14,001	55,962	153.3	55.6%
Western Medical Center - Santa Ana	10.7	111	5,801	25,762	70.6	63.6%
Los Alamitos Medical Center	11.1	113	6,454	26,229	71.9	63.6%
Fountain Valley Rgnl Hosp and Med Ctr - Euclid	11.6	203	9,880	44,101	120.8	59.5%
Orange Coast Memorial Medical Center	11.9	170	9,726	32,881	90.1	53.0%
TOTAL		**2,047**	**103,735**	**425,386**	**1,165.4**	**56.9%**

Source: ALIRTS CY 2006 Reports, MapPoint
*Source: OSHPD Disclosure Reports (most recently closed fiscal year)

[5] MDS uses licensed beds rather than available beds which are usually the same as reported to OSHPD, however, all licensed beds may not be able to be staffed or may be unavailable in the short-term due to other reasons.

Intensive Care Beds

There are 14 hospitals in addition to AMMC with medical/surgical ICU (intensive care) services, representing a total of 298 beds that are 65.7% occupied. Excluding AMMC, there is an average of 96 available medical/surgical ICU beds within 12 miles of AMMC. AMMC has 22 licensed med/surg ICU beds that are 72.0% occupied, with an average daily census of 15.8 patients.

SERVICE AREA MEDICAL/SURGICAL ICU SERVICES

Facility	Miles from AMMC	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
Anaheim Memorial Medical Center	**-**	**22**	**452**	**5,781**	**15.8**	**72.0%**
Western Medical Center Hospital - Anaheim*	3.6	22	356	2,357	6.5	29.4%
St. Jude Medical Center - Fullerton	3.9	32	595	7,279	19.9	62.3%
West Anaheim Medical Center	5.3	10	209	2,398	6.6	65.7%
University of California Irvine Medical Center	6.2	32	663	10,522	28.8	90.1%
Garden Grove Hospital and Medical Center	6.4	12	349	3,397	9.3	77.6%
Anaheim General Hospital	6.5	12	227	2,426	6.6	55.4%
La Palma Intercommunity Hospital	7.4	8	181	1,707	4.7	58.5%
Kaiser Fnd Hosp - Anaheim	7.6	12	526	4,650	12.7	106.2%
Placentia Linda Hospital	8.0	8	231	1,454	4.0	49.8%
St. Joseph Hospital - Orange	8.0	31	406	5,775	15.8	51.0%
Western Medical Center - Santa Ana	10.7	42	1,899	8,896	24.4	58.0%
Los Alamitos Medical Center	11.1	9	227	2,595	7.1	79.0%
Fountain Valley Rgnl Hosp and Med Ctr - Euclid	11.6	25	452	7,736	21.2	84.8%
Orange Coast Memorial Medical Center	11.9	21	332	4,443	12.2	58.0%
TOTAL		**298**	**7,105**	**71,416**	**195.7**	**65.7%**

Source: ALIRTS 2006 Reports, MapPoint
*Source: OSHPD Disclosure Reports (most recently closed fiscal year)

Service Area Definition for Obstetrical Services

Approximately 76.8% of AMMC's obstetrics discharges come from the same 19 ZIP Codes in AMMC's overall service area. Over 46% of AMMC's discharges emanate from the top five ZIP Codes in the service area.

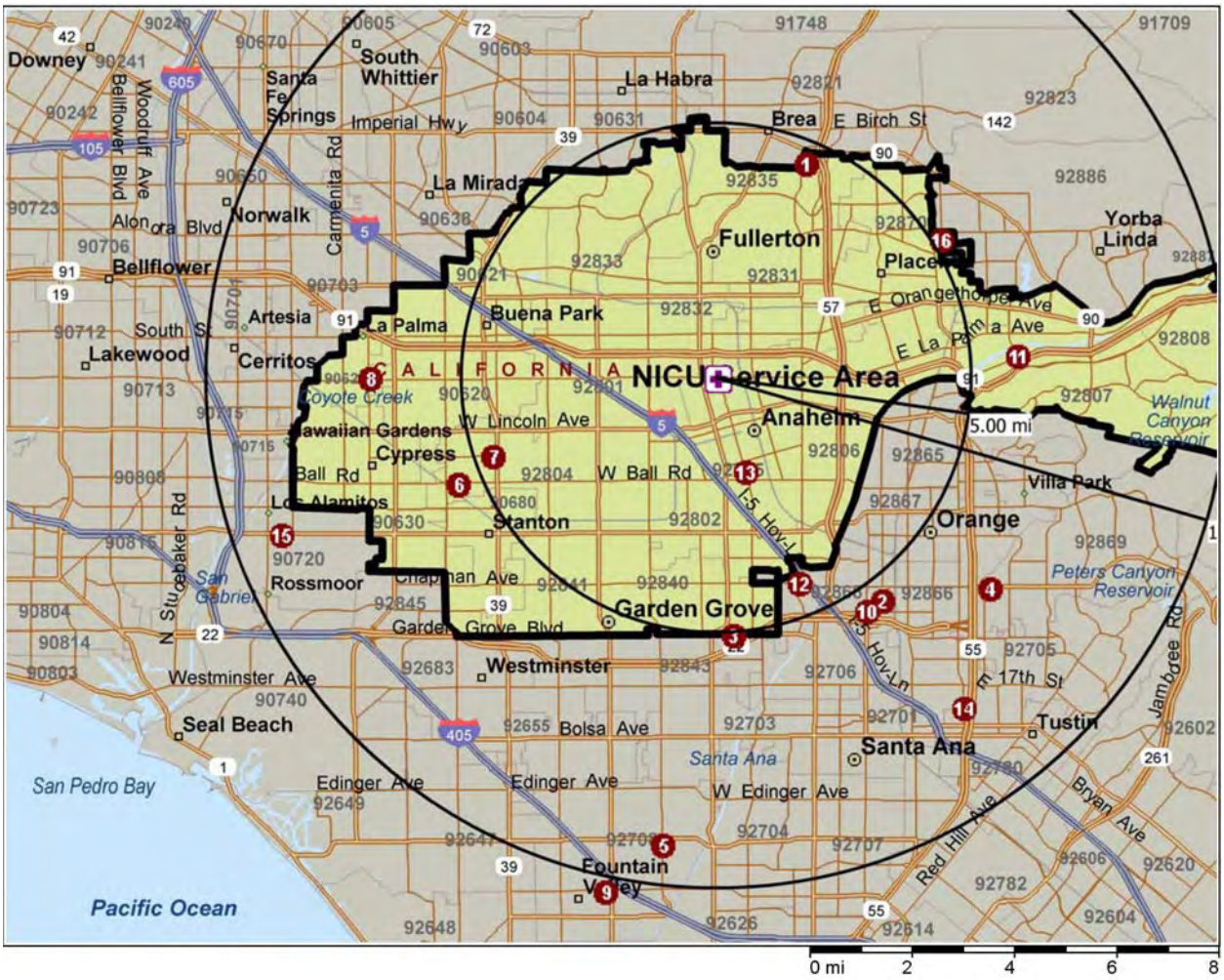
ANAHEIM MEMORIAL MEDICAL CENTER MARKET SHARE FOR OBSTETRICAL SERVICES[1] BY ZIP						
ZIPs	City	Anaheim Memorial Medical Center	% Of Discharges	Cumm % Of Discharges	Total Discharges	Market Share
92801	Anaheim	286	15.1%	15.1%	1407	20.3%
92804	Anaheim	167	8.8%	23.8%	1652	10.1%
92805	Anaheim	215	11.3%	35.2%	1663	12.9%
92833	Fullerton	118	6.2%	41.4%	749	15.8%
90620	Buena Park	88	4.6%	46.0%	657	13.4%
92802	Anaheim	76	4.0%	50.0%	938	8.1%
92806	Anaheim	84	4.4%	54.4%	678	12.4%
90621	Buena Park	83	4.4%	58.8%	679	12.2%
92832	Fullerton	74	3.9%	62.7%	461	16.1%
92870	Placentia	53	2.8%	65.5%	766	6.9%
92807	Anaheim	42	2.2%	67.7%	453	9.3%
92840	Garden Grove	17	0.9%	68.6%	924	1.8%
90680	Stanton	50	2.6%	71.2%	561	8.9%
92831	Fullerton	46	2.4%	73.6%	524	8.8%
90630	Cypress	11	0.6%	74.2%	473	2.3%
92841	Garden Grove	23	1.2%	75.4%	524	4.4%
90623	La Palma	5	0.3%	75.7%	156	3.2%
92835	Fullerton	6	0.3%	76.0%	256	2.3%
92808	Anaheim	15	0.8%	76.8%	280	5.4%
Other ZIPs		441	23.2%	100.0%		
Total Hospital		**1,900**			**13,801**	

Source: OSHPD 2005

1 Obstetrical services includes deliveries and other obstetrical related discharges

Service Area Map for Obstetrical and Neonatal Intensive Care Unit Services

AMMC's obstetrical service area is shown in the map below. The service area is the same for NICU patients.



Pushpins

- Anaheim Memorial Medical Center
- 1 St. Jude Medical Center
- 2 St. Joseph Hospital
- 3 Garden Grove Hospital MC
- 4 Chapman Medical Center
- 5 Fountain Valley Regional Hospital MC
- 6 Anaheim General Hospital
- 7 West Anaheim Medical Center
- 8 La Palma Intercommunity Hospital
- 9 Orange Coast Memorial MC
- 10 Children's Hospital of Orange County
- 11 Kaiser Fnd Hospital - Anaheim
- 12 Univ Calif - Irvine MC
- 13 Western Medical Ctr Hospital - Anaheim
- 14 Western Medical Ctr Hospital - Santa Ana
- 15 Los Alamitos Medical Center
- 16 Placentia Linda Hospital
- 17 Earl & Lorraine Children's Hospital

Service Area

- NICU Service Area

There are 382 obstetrical beds in the local area with a 56.5% occupancy rate. On average, 166 licensed beds are unoccupied in the area. AMMC has 27 obstetrical beds that had a 53.2% occupancy rate for 2006.

SERVICE AREA OBSTETRICAL SERVICES						
Facility	Miles from AMMC	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
Anaheim Memorial Medical Center	**-**	**27**	**2,206**	**5,240**	**14.4**	**53.2%**
Western Medical Center - Anaheim*	3.6	21	1,775	3,097	8.5	40.4%
St. Jude Medical Center - Fullerton	3.9	32	1,987	5,992	16.4	51.3%
University of California Irvine Medical Center	6.2	26	1,853	6,723	18.4	70.8%
Garden Grove Hospital and Medical Center	6.4	35	3,188	6,311	17.3	49.4%
Anaheim General Hospital	6.5	14	404	913	2.5	17.9%
La Palma Intercommunity Hospital	7.4	11	751	1,562	4.3	38.9%
Kaiser Fnd Hosp - Anaheim	7.6	36	3,653	9,077	24.9	69.1%
St. Joseph Hospital - Orange	8.0	57	5,300	12,496	34.2	60.1%
Western Medical Center - Santa Ana	10.7	52	3,873	9,209	25.2	48.5%
Los Alamitos Medical Center	11.1	12	1,720	4,145	11.4	94.6%
Fountain Valley Rgnl Hosp and Med Ctr - Euclid	11.6	38	3,651	10,084	27.6	72.7%
Orange Coast Memorial Medical Center	11.9	21	1,548	3,884	10.6	50.7%
TOTAL		**382**	**31,909**	**78,733**	**215.7**	**56.5%**

Source: ALIRTS CY 2006 Reports , MapPoint
*Source: OSHPD Disclosure Reports (2005)

Service Area Market Share and Payer Mix for Obstetrical Services

The majority of all area obstetrics hospital inpatients are insured by Medi-Cal (50.7%) and Commercial Managed Care (33.7%). Western Medical Center Hospital of Anaheim is the market leader in providing obstetrical services within the area, with 16.4% overall market share. Anaheim Memorial is tied with Garden Grove Hospital with a 10.6% share of the market.

SERVICE AREA MARKET SHARE BY PAYER - OBSTETRICAL SERVICES 2005											
Hospitals	Total Discharges	Total	Traditional Medicare	Managed Medicare	Commercial Managed Care	Traditional MediCal	Managed MediCal	Private Insurance	PPO-EPO POS	Workers Compensation	Other
Western Medical Center Hospital - Anaheim	2,270	16.4%	4.5%	0.0%	0.9%	36.1%	12.6%	0.0%	2.2%	0.0%	18.8%
Garden Grove Hospital and Medical Center	1,459	10.6%	0.0%	36.8%	3.0%	20.4%	9.9%	0.0%	3.0%	0.0%	7.7%
Anaheim Memorial Medical Center	**1,459**	**10.6%**	**9.1%**	**0.0%**	**11.9%**	**5.6%**	**19.2%**	**2.8%**	**17.4%**	**0.0%**	**10.7%**
Kaiser Fnd Hosp - Anaheim	1,352	9.8%	0.0%	0.0%	27.4%	0.0%	3.6%	0.0%	0.0%	0.0%	2.8%
St. Joseph Hospital - Orange	1,261	9.1%	36.4%	0.0%	11.3%	4.3%	10.3%	72.7%	0.0%	0.0%	1.2%
St. Jude Medical Center	950	6.9%	9.1%	0.0%	10.0%	2.0%	3.7%	1.6%	24.5%	0.0%	4.0%
Fountain Valley Rgnl Hosp and Med Ctr - Euclid	748	5.4%	0.0%	0.0%	6.6%	3.0%	7.9%	0.5%	8.8%	0.0%	7.5%
University of California Irvine Medical Center	747	5.4%	31.8%	0.0%	1.1%	5.6%	16.3%	2.6%	3.7%	0.0%	9.3%
Placentia Linda Hospital	505	3.7%	0.0%	0.0%	4.1%	4.7%	1.0%	2.8%	1.6%	75.0%	2.4%
Anaheim General Hospital	435	3.2%	4.5%	0.0%	0.2%	6.5%	2.3%	0.7%	0.3%	0.0%	6.9%
Western Medical Center - Santa Ana	425	3.1%	0.0%	0.0%	2.0%	4.2%	4.0%	0.0%	1.3%	0.0%	5.7%
La Palma Intercommunity Hospital	407	2.9%	0.0%	0.0%	3.5%	2.3%	3.6%	3.3%	1.5%	0.0%	5.3%
Los Alamitos Medical Center	310	2.2%	4.5%	57.9%	3.5%	1.0%	1.8%	0.9%	3.0%	25.0%	2.6%
Orange Coast Memorial Medical Center	255	1.8%	0.0%	0.0%	3.3%	0.2%	1.1%	1.4%	5.4%	0.0%	0.8%
Hoag Memorial Hospital Presbyterian	238	1.7%	0.0%	0.0%	2.0%	0.1%	0.2%	2.1%	11.1%	0.0%	0.2%
<All Others>	980	7.1%	0.0%	5.3%	9.2%	4.0%	2.6%	8.6%	16.1%	0.0%	14.1%
Total	**13,801**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Discharges			**22**	**19**	**4,650**	**5,198**	**1,801**	**429**	**1,165**	**12**	**505**
% of Discharges			**0.2%**	**0.1%**	**33.7%**	**37.7%**	**13.0%**	**3.1%**	**8.4%**	**0.1%**	**3.7%**
Source: OSHPD 2005											

Denotes market leader

Payer Mix by Year for Anaheim Memorial Medical Center's Obstetrical Services

AMMC's obstetrical services payer mix is primarily dominated by traditional Medi-Cal (37.7%) and Commercial Managed Care (33.7%). Traditional Medi-Cal has increased slightly over the past three years, from 36.1% in 2003 to 37.7% in 2005, whereas Commercial Managed Care has been decreasing over the past three years, from 35.7% to 33.7%.

ANAHEIM MEMORIAL MEDICAL CENTER PAYER MIX - OBSTETRICAL SERVICES			
Payer	Year 2003	Year 2004	Year 2005
Commercial Managed Care	35.7%	33.4%	33.7%
Traditional MediCal	36.1%	37.2%	37.7%
Managed MediCal	12.5%	13.6%	13.0%
Private Insurance	2.8%	3.2%	3.1%
PPO-EPO-POS	9.3%	8.9%	8.4%
Other	3.6%	3.7%	4.1%
Total	**100%**	**100%**	**100%**
Source: OSHPD			

Service Area Definition for Neonatal Intensive Care Services

Approximately 72% of AMMC's NICU discharges come from 19 ZIP Codes. AMMC had a total of 393 discharges in 2005 which accounts for 12.8% of the market's 3,068 total discharges. Over 41% of AMMC's discharges emanate from the top five ZIP Codes in the service area.

ANAHEIM MEMORIAL MEDICAL CENTER
MARKET SHARE FOR NICU

ZIPs	City	AMMC Discharges	% of Discharges	Cumm % of Discharges	Total Discharges	Market Share
92801	Anaheim	45	11.5%	11.5%	285	15.8%
92804	Anaheim	40	10.2%	21.6%	371	10.8%
92805	Anaheim	35	8.9%	30.5%	325	10.8%
92833	Fullerton	22	5.6%	36.1%	164	13.4%
90620	Buena Park	20	5.1%	41.2%	167	12.0%
92802	Anaheim	8	2.0%	43.3%	205	3.9%
92806	Anaheim	11	2.8%	46.1%	155	7.1%
90621	Buena Park	25	6.4%	52.4%	136	18.4%
92832	Fullerton	15	3.8%	56.2%	105	14.3%
92870	Placentia	12	3.1%	59.3%	176	6.8%
92807	Anaheim	4	1.0%	60.3%	114	3.5%
92840	Garden Grove	2	0.5%	60.8%	224	0.9%
90680	Stanton	11	2.8%	63.6%	109	10.1%
92831	Fullerton	9	2.3%	65.9%	111	8.1%
90630	Cypress	4	1.0%	66.9%	102	3.9%
92841	Garden Grove	3	0.8%	67.7%	134	2.2%
90623	La Palma	2	0.5%	68.2%	36	5.6%
92835	Fullerton	4	1.0%	69.2%	62	6.5%
92808	Anaheim	4	1.0%	70.2%	87	4.6%
Other ZIPs		117	29.8%	100.0%		
Total Hospital		**393**			**3,068**	

Source: OSHPD 2005

Neonatal Intensive Care Services

There are currently 11 NICUs serving the area. AMMC's NICU has an average census of only 7.3 patients per day and a total of 11 licensed beds that were 66.8% occupied.

The combined 11 area NICU programs have approximately 78% occupancy. Excluding AMMC's 11 beds, there are approximately 49 empty NICU beds in the area available on average. Children's Hospital of Orange County ("CHOC") and University of California Irvine Medical Center's NICUs are at high occupancy. However, CHOC indicates that it could absorb AMMC's NICU volume if needed. CHOC also has a planned NICU expansion that would add 12 new NICU beds in May of 2008. In 2012 CHOC will also add 36 more NICU beds with its completion of a new patient tower. Other area units such as Garden Grove Hospital and Orange Coast have significant available capacity.

SERVICE AREA NEONATAL ICU SERVICES

Facility	Miles from AMMC	Licensed Beds	Discharges	Pt. Days	Average Daily Census	Occupancy
Anaheim Memorial Medical Center	**-**	**11**	**209**	**2,681**	**7.3**	**66.8%**
Western Medical Center - Anaheim*	3.6	5	122	1,050	2.9	57.5%
St. Jude Medical Center - Fullerton	3.9	6	143	1,720	4.7	78.5%
University of California Irvine Medical Center*	6.2	30	397	10,218	28.0	93.3%
Garden Grove Hospital and Medical Center	6.4	12	163	1,731	4.7	39.5%
Kaiser Fnd Hosp - Anaheim	7.6	14	114	1,933	5.3	37.8%
Children's Hospital of Orange County	7.9	42	652	12,620	34.6	82.3%
Western Medical Center - Santa Ana	10.7	16	306	4,392	12.0	75.2%
Fountain Valley Rgnl Hosp and Med Ctr - Euclid	11.6	23	424	6,791	18.6	80.9%
Orange Coast Memorial Medical Center	11.9	12	132	1,460	4.0	33.3%
Earl and Lorraine Miller Childrens Hospital	20.4	69	945	23,751	65.1	94.3%
TOTAL		**240**	**3,607**	**68,347**	**187.3**	**78.0%**

Source: ALIRTS 2006 Reports, MapPoint
*Source: OSHPD Disclosure Reports (most recently closed fiscal year)

Service Area Market Share and Payer Mix for Neonatal Intensive Care Services

The majority of all area NICU hospital inpatients are insured by Medi-Cal (47.5%) and Commercial Managed Care (32.7%). University of California Irvine Medical Center is the market leader with 13.9% overall market share. Anaheim Memorial is fifth in the market with a 9.0% share of the market.

SERVICE AREA MARKET SHARE BY PAYER - HIGH RISK NEWBORNS 2005									
Hospitals	Total Discharges	Total	Managed Medicare	Commercial Managed Care	Traditional MediCal	Managed MediCal	Private Insurance	PPO-EPO-POS	Other
University of California Irvine Medical Center	425	13.9%	0.0%	2.7%	16.1%	39.2%	5.7%	9.0%	14.4%
Kaiser Fnd Hosp - Anaheim	314	10.2%	0.0%	29.5%	0.0%	3.1%	0.0%	0.0%	2.5%
Western Medical Center Hospital - Anaheim	306	10.0%	0.0%	0.3%	26.5%	4.6%	0.0%	1.2%	7.5%
St. Joseph Hospital - Orange	303	9.9%	0.0%	12.6%	6.0%	9.0%	60.2%	0.0%	0.6%
Anaheim Memorial Medical Center	**276**	**9.0%**	**0.0%**	**8.1%**	**4.6%**	**10.8%**	**4.1%**	**13.3%**	**32.5%**
Garden Grove Hospital And Medical Center	237	7.7%	50.0%	2.2%	16.7%	7.3%	0.0%	3.4%	1.9%
Fountain Valley Rgnl Hosp and Med Ctr - Euclid	184	6.0%	0.0%	6.6%	4.7%	7.0%	0.0%	9.3%	5.6%
St. Jude Medical Center	181	5.9%	0.0%	7.6%	1.1%	2.9%	2.4%	21.4%	5.6%
Children's Hospital of Orange County	178	5.8%	0.0%	4.5%	7.5%	6.2%	5.7%	6.5%	1.3%
Western Medical Center - Santa Ana	137	4.5%	0.0%	2.1%	7.7%	4.2%	0.0%	0.9%	10.6%
La Palma Intercommunity Hospital	64	2.1%	0.0%	2.6%	2.3%	1.5%	0.8%	0.3%	3.8%
Hoag Memorial Hospital Presbyterian	56	1.8%	0.0%	2.6%	0.0%	0.2%	3.3%	7.7%	0.0%
Placentia Linda Hospital	54	1.8%	0.0%	3.0%	1.6%	0.4%	1.6%	0.9%	0.6%
Earl And Lorraine Miller Childrens Hospital	51	1.7%	0.0%	1.9%	0.1%	0.2%	4.1%	6.5%	2.5%
Orange Coast Memorial Medical Center	42	1.4%	0.0%	2.1%	0.2%	0.7%	0.0%	4.0%	1.9%
All Others	260	8.5%	50.0%	11.8%	5.0%	2.6%	12.2%	15.5%	8.8%
Total	**3,068**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Discharges			**2**	**1,004**	**1,002**	**454**	**123**	**323**	**160**
% of Discharges			**0.1%**	**32.7%**	**32.7%**	**14.8%**	**4.0%**	**10.5%**	**5.2%**
Source: OSHPD 2005									

Denotes market leader

Payer Mix by Year for Anaheim Memorial Medical Center's Neonatal Intensive Care Services

AMMC's obstetrical services payer mix is primarily dominated by traditional Medi-Cal (37.7%) and Commercial Managed Care (33.7%). Traditional Medi-Cal has increased slightly over the past three years, from 36.1% in 2003 to 27.7% in 2005, while Commercial Managed Care has decreased slightly over the past three years, from 35.7% to 33.7%.

ANAHEIM MEMORIAL MEDICAL CENTER PAYER MIX - NICU			
Payer	Year 2003	Year 2004	Year 2005
Commercial Managed Care	35.0%	34.5%	32.7%
Traditional MediCal	30.4%	30.3%	32.7%
Managed MediCal	14.7%	16.3%	14.8%
Private Insurance	2.5%	3.4%	4.0%
PPO-EPO-POS	11.6%	10.2%	10.5%
Other	5.8%	5.3%	5.3%
Total	**100%**	**100%**	**100%**
Source: OSHPD			

Service Area Definition for Medical Cardiovascular Services

Approximately 80.0% of AMMC's medical cardiovascular discharges come from 19 ZIP Codes. AMMC had a total of 2,794 discharges in 2005 which accounts for 32.1% of the market's 8,679 total discharges. Over 43% of AMMC's discharges emanate from the top five ZIP Codes in the service area.

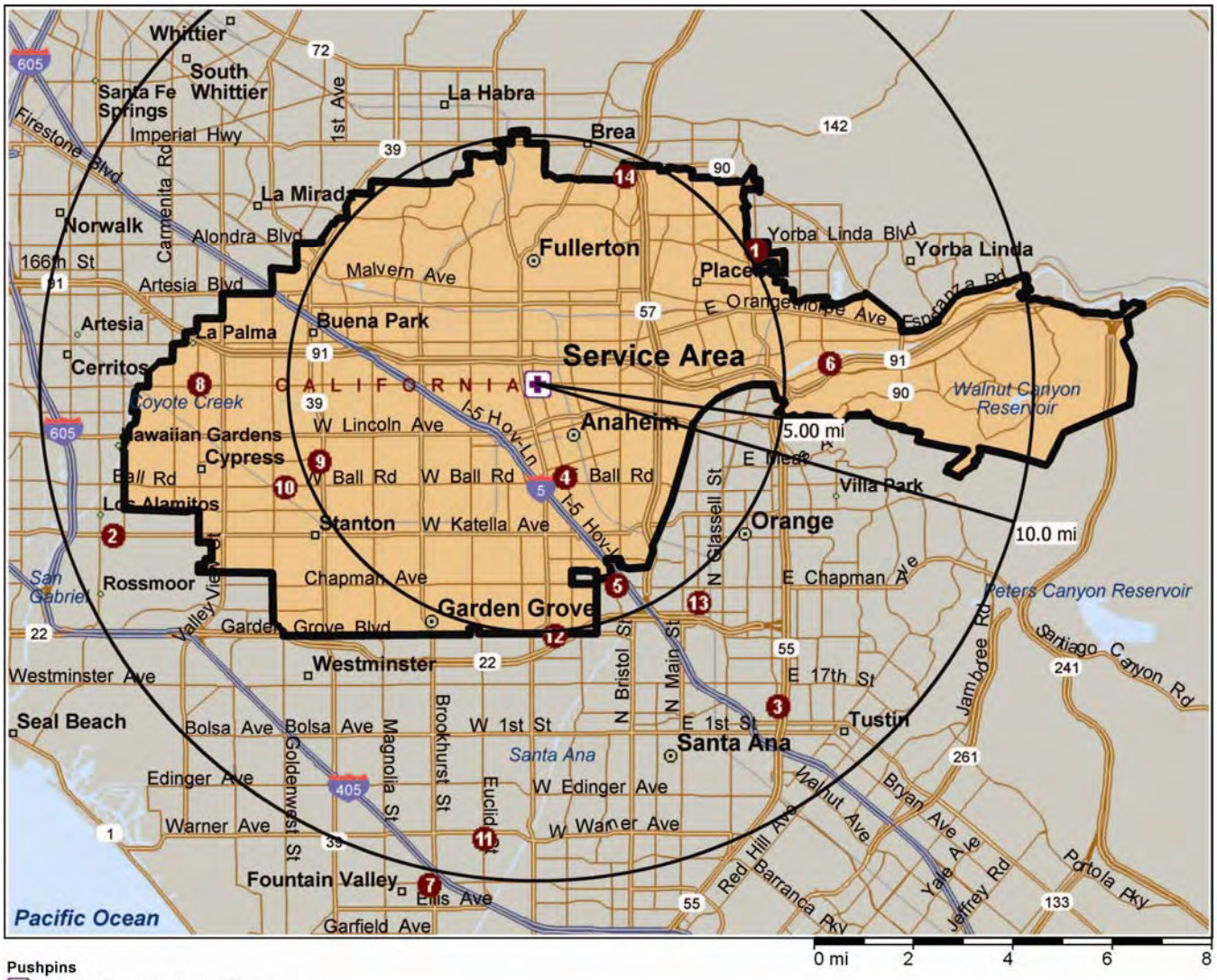
ANAHEIM MEMORIAL MEDICAL CENTER
MARKET SHARE FOR MEDICAL CARDIOVASCULAR

ZIPs	City	AMMC Discharges	% of Discharges	Cumm % of Discharges	Total Market Discharges	Market Share
92801	Anaheim	382	13.7%	13.7%	756	50.5%
92804	Anaheim	302	10.8%	24.5%	1,182	25.5%
92805	Anaheim	230	8.2%	32.7%	537	42.8%
92833	Fullerton	162	5.8%	38.5%	505	32.1%
90620	Buena Park	139	5.0%	43.5%	721	19.3%
92802	Anaheim	137	4.9%	48.4%	405	33.8%
92806	Anaheim	107	3.8%	52.2%	336	31.8%
90621	Buena Park	55	2.0%	54.2%	286	19.2%
92832	Fullerton	61	2.2%	56.4%	211	28.9%
92870	Placentia	59	2.1%	58.5%	526	11.2%
92807	Anaheim	46	1.6%	60.1%	352	13.1%
92840	Garden Grove	59	2.1%	62.2%	535	11.0%
90680	Stanton	38	1.4%	63.6%	407	9.3%
92831	Fullerton	39	1.4%	65.0%	321	12.1%
90630	Cypress	56	2.0%	67.0%	601	9.3%
92841	Garden Grove	53	1.9%	68.9%	372	14.2%
90623	La Palma	19	0.7%	69.6%	182	10.4%
92835	Fullerton	22	0.8%	70.4%	314	7.0%
92808	Anaheim	15	0.5%	70.9%	130	11.5%
Other ZIPs		813	29.1%	100.0%		
Total		**2,794**			**8,679**	

Source: OSHPD 2005

Service Area Map for Medical and Surgical Cardiovascular Services

AMMC's medical and surgical cardiovascular service area is shown on the map below. There are 14 area hospitals within a 12 mile radius offering cardiovascular services.



Pushpins

- Anaheim Memorial Medical Center
- 1 Placentia Linda Hospital
- 2 Los Alamitos Medical Center
- 3 Western Medical Ctr Hospital - Santa Ana
- 4 Western Medical Ctr Hospital - Anaheim
- 5 Univ Calif - Irvine MC
- 6 Kaiser Fnd Hospital - Anaheim
- 7 Orange Coast Memorial MC
- 8 La Palma Intercommunity Hospital
- 9 West Anaheim Medical Center
- 10 Anaheim General Hospital
- 11 Fountain Valley Regional Hospital MC
- 12 Garden Grove Hospital MC
- 13 St. Joseph Hospital
- 14 St. Jude Medical Center

Service Area

- Service Area

Service Area Market Share and Payer Mix for Medical Cardiovascular Services

The majority of all area medical cardiovascular hospital inpatients are insured by Medicare (55.1%). AMMC is clearly the market leader with 22.8% overall market share. AMMC leads the market in five of the major payer groups.

SERVICE AREA MARKET SHARE BY PAYER - MEDICAL CARDIOVASCULAR 2005

Hospitals	Total Discharges	Total	Traditional Medicare	Managed Medicare	Commercial Managed Care	Traditional MediCal	Managed MediCal	Private Insurance	PPO-EPO-POS	County Indigent	Workers Compensation	Other
Anaheim Memorial Medical Center	**1,981**	**22.8%**	**20.7%**	**24.5%**	**30.4%**	**17.3%**	**17.3%**	**8.3%**	**18.0%**	**18.4%**	**15.2%**	**21.4%**
West Anaheim Medical Center	1,167	13.4%	16.1%	11.5%	15.4%	12.2%	10.1%	6.8%	3.8%	19.2%	9.1%	4.3%
St. Jude Medical Center	1,000	11.5%	16.3%	14.7%	4.5%	2.0%	4.9%	0.0%	22.3%	4.1%	9.1%	6.8%
Kaiser Fnd Hosp - Anaheim	488	5.6%	1.5%	14.9%	9.1%	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	4.6%
University Of California Irvine Medical Center	476	5.5%	4.3%	1.2%	1.6%	14.9%	23.6%	5.3%	3.1%	20.3%	0.0%	13.3%
La Palma Intercommunity Hospital	373	4.3%	4.5%	2.4%	6.2%	5.1%	4.3%	3.0%	3.4%	6.8%	0.0%	0.0%
St. Joseph Hospital - Orange	355	4.1%	4.5%	0.1%	4.2%	6.7%	5.0%	27.3%	7.0%	2.6%	12.1%	2.5%
Los Alamitos Medical Center	306	3.5%	3.6%	6.2%	2.9%	1.6%	0.3%	2.3%	3.6%	0.8%	9.1%	2.5%
Placentia Linda Hospital	300	3.5%	3.7%	3.7%	4.0%	4.7%	0.5%	9.1%	1.9%	3.0%	3.0%	1.2%
Garden Grove Hospital And Medical Center	260	3.0%	2.8%	2.3%	2.6%	7.5%	2.4%	9.8%	4.1%	3.8%	6.1%	2.8%
Anaheim General Hospital	255	2.9%	4.9%	1.0%	0.6%	3.1%	3.8%	4.5%	0.5%	5.3%	0.0%	5.6%
Fountain Valley Rgnl Hosp And Med Ctr - Euclid	250	2.9%	3.5%	1.0%	1.4%	2.0%	8.3%	0.0%	5.5%	5.6%	3.0%	1.5%
Western Medical Center - Santa Ana	204	2.4%	1.2%	1.5%	2.5%	0.8%	8.3%	0.8%	4.8%	1.5%	3.0%	5.3%
Orange Coast Memorial Medical Center	181	2.1%	1.3%	2.8%	3.6%	0.8%	0.2%	3.8%	2.9%	0.8%	3.0%	1.2%
Western Medical Center Hospital - Anaheim	162	1.9%	1.9%	0.8%	0.4%	4.7%	3.5%	0.8%	2.2%	1.5%	0.0%	10.8%
All Others	921	10.6%	9.2%	11.3%	10.6%	16.9%	5.4%	18.2%	17.0%	6.4%	27.3%	16.1%
Total	**8,679**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Discharges			**3,159**	**1,622**	**1,895**	**255**	**577**	**132**	**417**	**266**	**33**	**323**
% of Discharges			**36.4%**	**18.7%**	**21.8%**	**2.9%**	**6.6%**	**1.5%**	**4.8%**	**74.9%**	**0.4%**	**3.7%**

Source: OSHPD

Denotes market leader

Payer Mix by Year for Anaheim Memorial Medical Center's Medical Cardiovascular Services

AMMC's medical cardiovascular services payer mix is primarily dominated by traditional Medicare (37.4%) and Commercial Managed Care (21.8%). Traditional Medi-Cal has increased slightly over the past three years, from 8.8.1% in 2003 to 9.5% in 2005, while county indigent has decreased slightly over the past three years, from 4.4% to 3.1%.

ANAHEIM MEMORIAL MEDICAL CENTER
PAYER MIX - MEDICAL CARDIOVASCULAR

Payer	Year 2003	Year 2004	Year 2005
Traditional Medicare	35.2%	35.6%	36.4%
Managed Medicare	22.0%	21.5%	18.7%
Commercial Managed Care	17.7%	17.3%	21.8%
Traditional MediCal	2.8%	2.9%	2.9%
Managed MediCal	6.0%	6.4%	6.6%
Private Insurance	1.3%	1.5%	1.5%
PPO-EPO-POS	5.6%	5.3%	4.8%
County Indigent	4.4%	4.1%	3.1%
Workers Compensation	0.2%	0.2%	0.4%
Other	4.8%	5.1%	3.7%
Total	**100%**	**100%**	**100%**

Source: OSHPD

Service Area Definition for Surgical Cardiovascular Services

Approximately 45.8% of AMMC's surgical cardiovascular discharges come from 19 ZIP Codes. AMMC had a total of 1,291 discharges in 2005 which accounts for 46.9% of the market's 2,750 total discharges. Over 25% of AMMC's discharges emanate from the top five ZIP Codes in the service area.

ANAHEIM MEMORIAL MEDICAL CENTER
MARKET SHARE FOR SURGICAL CARDIOVASCULAR

ZIPs	City	AMMC Discharges	% of Discharges	Cumm % of Discharges	Total Market Discharges	Market Share
92801	Anaheim	86	6.7%	6.7%	191	45.0%
92804	Anaheim	92	7.1%	13.8%	295	31.2%
92805	Anaheim	56	4.3%	18.1%	160	35.0%
92833	Fullerton	40	3.1%	21.2%	180	22.2%
90620	Buena Park	52	4.0%	25.3%	175	29.7%
92802	Anaheim	35	2.7%	28.0%	133	26.3%
92806	Anaheim	35	2.7%	30.7%	131	26.7%
90621	Buena Park	17	1.3%	32.0%	99	17.2%
92832	Fullerton	17	1.3%	33.3%	61	27.9%
92870	Placentia	15	1.2%	34.5%	187	8.0%
92807	Anaheim	26	2.0%	36.5%	163	16.0%
92840	Garden Grove	20	1.5%	38.0%	159	12.6%
90680	Stanton	18	1.4%	39.4%	108	16.7%
92831	Fullerton	21	1.6%	41.1%	130	16.2%
90630	Cypress	21	1.6%	42.7%	210	10.0%
92841	Garden Grove	12	0.9%	43.6%	118	10.2%
90623	La Palma	10	0.8%	44.4%	69	14.5%
92835	Fullerton	8	0.6%	45.0%	125	6.4%
92808	Anaheim	10	0.8%	45.8%	56	17.9%
Other ZIPs		700	54.2%	100.0%		
Total Hospital		**1,291**			**2,750**	

Source: OSHPD 2005

Service Area Market Share and Payer Mix for Surgical Cardiovascular Services

The majority of all area surgical cardiovascular hospital inpatients are insured by Medicare (49.4%). AMMC is the market leader with 22.5%, followed by St. Jude Medical Center with 16.1% overall market share. AMMC leads the market in four of the 10 payer groups.

SERVICE AREA MARKET SHARE BY PAYER - SURGICAL CARDIOVASCULAR 2005

Hospitals	Total Discharges	Total	Traditional Medicare	Managed Medicare	Commercial Managed Care	Traditional MediCal	Managed MediCal	Private Insurance	PPO-EPO-POS	County Indigent	Workers Compensation	Other
Anaheim Memorial Medical Center	**591**	**21.5%**	**22.4%**	**23.3%**	**23.2%**	**11.9%**	**14.6%**	**8.6%**	**19.7%**	**21.4%**	**6.7%**	**31.8%**
St. Jude Medical Center	444	16.1%	23.3%	18.0%	8.3%	0.0%	3.5%	1.4%	25.6%	7.1%	6.7%	4.5%
West Anaheim Medical Center	210	7.6%	7.1%	8.2%	11.8%	3.0%	4.9%	1.4%	2.8%	16.3%	6.7%	1.5%
St. Joseph Hospital - Orange	191	6.9%	8.0%	0.0%	8.0%	9.0%	5.6%	48.6%	3.1%	6.1%	13.3%	3.0%
University Of California Irvine Medical Center	151	5.5%	5.1%	0.2%	1.6%	6.0%	26.4%	4.3%	4.1%	18.4%	13.3%	22.7%
Fountain Valley Rgnl Hosp And Med Ctr - Euclid	128	4.7%	6.4%	1.4%	2.5%	1.5%	14.6%	0.0%	4.1%	10.2%	0.0%	4.5%
Long Beach Memorial Medical Center	128	4.7%	4.2%	7.5%	4.1%	1.5%	0.0%	4.3%	7.8%	0.0%	13.3%	0.0%
Western Medical Center - Santa Ana	112	4.1%	3.6%	2.7%	4.9%	0.0%	6.9%	2.9%	4.7%	6.1%	6.7%	4.5%
Kaiser Fnd Hosp - Sunset	103	3.7%	0.0%	12.6%	7.4%	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Western Medical Center Hospital - Anaheim	82	3.0%	3.1%	0.0%	1.3%	9.0%	6.9%	1.4%	3.1%	9.2%	0.0%	13.6%
Kaiser Fnd Hosp - Anaheim	60	2.2%	0.2%	7.1%	3.9%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	1.5%
Lakewood Regional Medical Center	52	1.9%	0.7%	8.0%	1.5%	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%
Children's Hospital Of Orange County	47	1.7%	0.0%	0.0%	2.1%	34.3%	1.4%	2.9%	1.9%	0.0%	0.0%	1.5%
Hoag Memorial Hospital Presbyterian	42	1.5%	2.5%	0.0%	1.6%	0.0%	0.0%	4.3%	1.9%	0.0%	0.0%	0.0%
Los Alamitos Medical Center	39	1.4%	1.4%	2.1%	1.5%	1.5%	0.0%	2.9%	1.3%	0.0%	6.7%	0.0%
All Others	370	13.5%	11.9%	8.9%	16.2%	22.4%	11.8%	17.1%	19.4%	5.1%	26.7%	10.6%
Total	**2,750**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Discharges			**921**	**438**	**611**	**67**	**144**	**70**	**320**	**98**	**15**	**66**
% of Discharges			**33.5%**	**15.9%**	**22.2%**	**2.4%**	**5.2%**	**2.5%**	**11.6%**	**3.6%**	**0.5%**	**2.4%**

Source: OSHPD 2005

Demotes market leader

Payer Mix by Year for Anaheim Memorial Medical Center's Surgical Cardiovascular Services

AMMC's surgical cardiovascular services payer mix is primarily dominated by traditional Medicare (33.5%) and commercial Managed Care (22.2%). Traditional Medi-Cal patients have decreased over the past three years, from 19.1% in 2003 to 15.9% in 2005, while county indigent payers have increased slightly over the past three years from 2.9% to 3.6%.

ANAHEIM MEMORIAL MEDICAL CENTER PAYER MIX - SURGICAL CARDIOVASCULAR			
Payer	Year 2003	Year 2004	Year 2005
Traditional Medicare	33.0%	34.3%	33.5%
Managed Medicare	19.1%	17.6%	15.9%
Commercial Managed Care	20.8%	19.7%	22.2%
Traditional MediCal	2.3%	2.6%	2.4%
Managed MediCal	5.0%	4.9%	5.2%
Private Insurance	1.8%	2.3%	2.5%
PPO-EPO-POS	11.3%	12.0%	11.6%
County Indigent	2.9%	2.5%	3.6%
Workers Compensation	0.3%	0.5%	0.5%
Other	3.5%	3.5%	2.4%
Total	**100%**	**100%**	**100%**

Source: OSHPD

The table below shows that of those hospitals that provide coronary arterial bypass graft surgery (as reported to OSHPD). AMMC ranked second behind Hoag Memorial Hospital. It also ranked fourth with 558 percutaneous transluminal coronary angioplasties ("PTCAs").

ORANGE COUNTY HOSPITALS PERFORMING CABGs (2005)				
	CABG	% Total	PTCA	% Total
Hoag Memorial Hospital Presbyterian	293	17.3%	663	13.5%
Anaheim Memorial Medical Center	**220**	**13.0%**	**558**	**11.4%**
Mission Hospital Rgnl Medical Center	193	11.4%	718	14.7%
St. Jude Medical Center	184	10.8%	562	11.5%
St. Joseph Hospital	159	9.4%	382	7.8%
Saddleback Memorial Med Ctr - Laguna Hills	139	8.2%	398	8.1%
Western Medical Center - Anaheim	133	7.8%	255	5.2%
Fountain Valley Rgnl Hosp and Med Ctr	116	6.8%	434	8.9%
Western Medical Center - Santa Ana	100	5.9%	277	5.7%
University of California Irvine Medical Center	88	5.2%	154	3.1%
West Anaheim Medical Center	37	2.2%	274	5.6%
Irvine Regnl Hospital and Med Ctr	35	2.1%	226	4.6%
Total	**1,697**	**100%**	**4,901**	**100%**

Source: OSHPD 2005

Emergency Services

The service area for AMMC's emergency services is similar to that for all Hospital services, with 44% of all discharges originating from the three closest ZIP Codes.

AMAHEIM MEMORIAL MEDICAL CENTER ED PATIENT ORIGIN EMERGENCY VISITS - CY 2006				
ZIP	City	AMMC Visits	%	Cumulative %
92801	Anaheim	8,117	21.3%	21.3%
92805	Anaheim	5,021	13.2%	34.6%
92804	Anaheim	3,605	9.5%	44.0%
92833	Fullerton	2,836	7.5%	51.5%
92806	Anaheim	1,867	4.9%	56.4%
92802	Anaheim	1,785	4.7%	61.1%
92832	Fullerton	1,551	4.1%	65.2%
90620	Buena Park	1,511	4.0%	69.1%
90621	Buena Park	1,222	3.2%	72.4%
92831	Fullerton	682	1.8%	74.2%
92870	Placentia	629	1.7%	75.8%
92840	Garden Grove	503	1.3%	77.1%
90680	Stanton	424	1.1%	78.2%
92807	Anaheim	391	1.0%	79.3%
90631	La Habra	341	0.9%	80.2%
All Other ZIPs		7,540	19.8%	
Total		**38,025**	**100%**	**100%**
Source: AMMC				

There are 13 other Emergency Departments (ED) within a 12 mile driving distance of AMMC (as indicated in the table on the following page). Eleven of the EDs are basic, while UCI Medical Center is a comprehensive ED. Kaiser also has an ED in the area. There is a total of 293 emergency stations/beds in the area that had over 444,000 visits (most current data available).

AMMC operates 21 emergency stations/beds with over 43,000 visits in the calendar year 2006. St. Jude Medical Center in Fullerton has higher emergency volumes in "Moderate" and "Severe" patients than any of the other hospitals in the area. St. Joseph Hospital in Orange has the largest number of emergency station/beds (53).

EMERGENCY SERVICES VISITS BY CATEGORY - 2006											
			Visits								
Facility	ER Level	Stations	Total	Non Urgent	Urgent	Moderate	Severe	Critical	Admitted	Hours on Diversion	Miles from AMMC
Anaheim Memorial Medical Center	**Basic**	**21**	**43,084**	**268**	**12,597**	**19,284**	**10,231**	**704**	**7,641**	**433**	**-**
Western Medical Center Hospital - Anaheim	Basic	11	18,688	3,616	7,357	3,353	2,136	2,226	1,262	301	3.6
St. Jude Medical Center - Fullerton	Basic	30	48,904	3,317	1,992	19,808	16,264	7,523	7,628	541	3.9
West Anaheim Medical Center	Basic	23	25,052	1,398	1,592	7,083	6,247	8,732	4,481	362	5.3
University of California Irvine Medical Center	Comprehensive	33	28,864	3,340	7,430	9,020	6,380	2,694	6,798	958	6.2
Garden Grove Hospital and Medical Center	Basic	12	26,242	5,959	11,267	4,302	2,274	2,440	2,537	454	6.4
Anaheim General Hospital	Basic	6	11,195	1,911	4,547	2,558	1,921	258	1,458	297	6.5
La Palma Intercommunity Hospital	Basic	10	16,732	535	1,274	6,679	4,411	3,833	3,073	68	7.4
Placentia Linda Hospital	Basic	7	21,383	2,943	8,662	3,513	3,205	3,060	3,119	256	8.0
St. Joseph Hospital - Orange	Basic	53	51,751	2,277	15,416	16,831	14,177	3,050	9,049	39	8.0
Western Medical Center Hospital - Santa Ana	Basic	20	23,611	2,973	7,589	4,054	3,239	5,756	5,635	306	10.7
Los Alamitos Medical Center	Basic	12	27,257	3,581	8,340	4,033	4,096	7,207	5,660	635	11.1
Fountain Valley Rgnl Hosp and Med Ctr. - Euclid	Basic	20	33,620	4,643	10,924	6,033	6,814	5,206	7,917	152	11.6
Orange Coast Memorial Medical Center	Basic	14	23,464	342	6,234	9,513	6,091	1,284	5,096	352	11.9
SUB-TOTAL		**272**	**399,847**	**37,103**	**105,221**	**116,064**	**87,486**	**53,973**	**71,354**		
OTHER HOSPITALS:											
Kaiser Fnd Hospital - Anaheim	Basic	21	44,563	2,436	31,831	9,465	727	104	5,607	1,217	7.6
TOTAL		**293**	**444,410**	**39,539**	**137,052**	**125,529**	**88,213**	**54,077**	**76,961**		

Sources: OSHPD ALIRTS CY 2006 Reports, MapPoint
* Based on the latest ALIRTS Report (2004)

The American College of Emergency Physicians ("ACEP"), representing 22,000 members nationally, uses a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of emergency departments. Based upon this benchmark, the AMMC emergency department is operating above its capacity.

Most other area hospitals report visits per bed per year below the ACEP benchmark, except for Garden Grove Hospital, Placentia Linda Hospital, Los Alamitos Medical Center and Kaiser. On an aggregated basis, the 13 area hospitals collectively have available capacity. However, the hospitals closest to AMMC's service area would not be able to absorb its volume if AMMC's ED closed.

The Department of Health Services also uses a general use rate of 2,000 visits per station as an identifier of total capacity. The table on the following page identifies which hospitals are over or under that threshold.

Of the 14 area hospitals, 10 are under the threshold identified by the Department of Health Services.

LOCAL EMERGENCY ROOM CAPACITY - 2006						
Hospital	Total Visits	Level	Stations	Approximate Capacity Visits (1)	Remaining Capacity Visits	Miles from SMCSR
Anaheim Memorial Medical Center	**43,084**	**Basic**	**21**	**42,000**	**(1,084)**	**-**
Western Medical Center Hospital - Anaheim*	18,688	Basic	11	22,000	3,312	3.6
St. Jude Medical Center - Fullerton	48,904	Basic	30	60,000	11,096	3.9
West Anaheim Medical Center	25,052	Basic	23	46,000	20,948	5.3
University of California Irvine Medical Center	28,864	Comprehensive	33	66,000	37,136	6.2
Garden Grove Hospital and Medical Center	26,242	Basic	12	24,000	(2,242)	6.4
Anaheim General Hospital	11,195	Basic	6	12,000	805	6.5
La Palma Intercommunity Hospital	16,732	Basic	10	20,000	3,268	7.4
Placentia Linda Hospital	21,383	Basic	7	14,000	(7,383)	8.0
St. Joseph Hospital - Orange	51,751	Basic	53	106,000	54,249	8.0
Western Medical Center Hospital - Santa Ana	23,611	Basic	20	40,000	16,389	10.7
Los Alamitos Medical Center	27,257	Basic	12	24,000	(3,257)	11.1
Fountain Valley Rgnl Hosp and Med Ctr. - Euclid	33,620	Basic	20	40,000	6,380	11.6
Orange Coast Memorial Medical Center	23,464	Basic	14	28,000	4,536	11.9
SUB-TOTAL	**399,847**		**272**	**544,000**	**144,153**	
Other Hospitals:						
Kaiser Fnd Hospital - Anaheim	44,563	Basic	21	42,000	(2,563)	7.6
TOTAL	**444,410**		**293**	**586,000**	**141,590**	

(1) Estimated at 2,000 per station
Sources: OSHPD ALIRTS CY 2006 Reports
* Based on the latest ALIRTS Report (2004)

SUMMARY OF COMMUNITY INTERVIEWS

Interviews were conducted in April and May of 2007 at AMMC and by telephone with numerous physicians, managed care and insurance payer representatives, community members, representatives from the Hospital, Prime and MHS. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability or accessibility as a result of the proposed Hospital transaction. The major findings from over forty interviews are summarized on the following pages.

Reasons for the Sale of AMMC

Most people interviewed expressed disappointment that MHS was selling the Hospital to a for-profit entity. While understanding the reasons MHS stated for pursuing the sale, many did not agree with the decision and were concerned about the Hospital being operated differently by a for profit corporation.

Acquisition by Prime

There was strong concern about Prime as the purchaser of AMMC from payers, physician groups, some independent physicians, and some community representatives because:

- The potential cancellation of managed care contracts by Prime would require managed care patients to go to other hospitals and physician specialists. Access for patients and physicians would be difficult because AMMC has a depth of services, staff, and capacity that is not available at many other area hospitals. Cancellation of the contracts would affect the ability to coordinate patient care and would disrupt the practice patterns of many of the medical staff that serve managed care patients. Major medical groups have centralized their managed care patients at AMMC, have a large average daily census of patients, and operate under capitated medical agreements with payers. If AMMC becomes a non-contracted hospital, they are also concerned that increases in the cost of care will result when patients are admitted through the emergency room and are not coordinated in the same fashion as in contracted hospitals. The increased costs will not only negatively impact expenses for the patient, but may affect the economic viability of their physician or managed care organizations and the overall cost of healthcare in the area.

- The potential for closure of programs and services. Many interviewed believed that Prime would close services based on a lack of profitability. Programs viewed at special risk of closure included the NICU, obstetrics, certain cardiac services, and the breast center.

- If the hospital loses a significant amount of its patient volume because of the cancellation of managed care contracts, related outpatient, surgical, and ancillary programs and services will lose volume and may also be subject to closure. AMMC would then operate as a much smaller facility.

- The potential for reduction in charity care services, community benefit programs (such as those related to disaster preparedness), and community involvement;

- Prime's emphasis on "medical management" of patients, causing pressure on physicians and undesirable changes in their patterns of medical practice;

- Prime's potential cancellation of on-call and medical director payment arrangements for physicians that would increase the shortage of specialists at AMMC and cause additional financial burdens for neighboring hospitals;

- The potential defection of physicians from AMMC because of dissatisfaction with Prime's approach to management and service delivery;

- Concern that governance of the Hospital would be weakened by virtue of a weak or non-independent advisory board; and

- Concern that Prime would not adhere to its agreements as stated in the Asset Purchase Agreement or to conditions for approval stipulated by the Attorney General.

Importance of AMMC to the Community

AMMC is viewed as very important to the community for its provision of emergency, obstetrical, general acute care, cardiovascular, and surgical services. It is viewed as a community hospital with a significant depth of medical, surgical, and support services. Other services frequently mentioned as important for healthcare access and availability include:

- The neonatal intensive care unit;
- The breast center;
- The sexual assault response center; and
- Surgical services (operating rooms).

The Orange County Emergency Medical Services emphasized the importance to the community of the AMMC emergency department and its disaster preparedness programs.

AMMC is also viewed as an important employer and contributor to overall community economic development.

Potential Closure of the Hospital

Many interviewed are concerned that the costs associated with seismic retrofit related to SB 1953 requirements could eventually cause the closure of AMMC. Prime has not yet analyzed or made commitments relative to plans to meet seismic requirements.

Opposition to the Sale

A few people expressed a desire to block or slow the sale to allow the potential for other parties to present equal or better purchase offers that would be more in the community's interest and preserve access for the significant percentage of managed care patients.

Use of Sale Proceeds

A few people interviewed expressed strongly held beliefs that the proceeds from the sale should stay in the Anaheim community and be given to the Foundation for community benefit uses. They questioned MHS's representation of losses and investments of $85 million in the development of AMMC and believed that the losses at AMMC may have resulted from corporate overhead allocations.

Change of Name

A few people interviewed represented that there was widespread concern about the change in the name of the Hospital and believed that to avoid patient and community confusion, the Hospital name should remain the same.

ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE ACCESSIBILITY AND AVAILABILITY OF HEALTHCARE SERVICES

Continuation of AMMC as a General Acute Care Hospital

Prime has committed to operate the services of the Hospital for at least five years.

Prime has started to establish a track record of acquiring and "turning around" financially distressed hospitals. If Prime can turn around the financial performance of AMMC, it may be able to finance seismic improvements for extended operation of AMMC.

Medical/Surgical, Intensive Care/Coronary Care Services

An analysis of the current supply and demand of area hospital beds shows that there is a sufficient number of beds in the service area

Obstetrical Services

AMMC provides over 1,800 deliveries per year, with the majority of patients covered by Medi-Cal and commercial managed care.

It is an important local service. Other area hospitals may have difficulty absorbing AMMC's delivery volume if the obstetrical service was closed. Prime has indicated that it will commit to operating obstetrical services for at least five years.

Emergency Services

With 21 emergency beds and over 43,000 visits in 2005, AMMC has a busy emergency department with little extra capacity. While some other area emergency departments have capacity, they could not absorb the volume of patients from AMMC without creating problems for accessibility and availability. As previously discussed, AMMC's emergency department is needed for patient access and is considered very important by the County Director of Emergency Medical Services. Prime has committed to operate the emergency department for at least five years.

Sexual Assault Response Center

AMMC operates the only area center staffed by forensic nurse specialists and other professionals. It averages treatment of 30 victims per month, 17% of which are pediatric patients. It is viewed as an important service.

Breast Center

AMMC provided 12,943 total visits for breast screening, diagnostic and treatment for community residents. In 2005, AMMC diagnosed and treated 640 breast cancer patients.

Neonatal Intensive Care Unit

The average daily census for these services is approximately seven patients. These services are frequently provided by larger tertiary hospitals on a regional basis. Patients in the AMMC service area could be accommodated at other area facilities. If AMMC loses managed care patients, it is likely that the demand for NICU beds could be dramatically reduced to a level below what is desirable to maintain specialty coverage and qualified staff.

Reproductive Health Services

Tubal ligations and other reproductive health services are not prohibited at AMMC, and the sale is not expected to change or reduce the availability or accessibility of these services.

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

AMMC serves a large proportion of Medicare, Medi-Cal and County indigent patients. Approximately 48% of patients are under Medicare, 12% are under Medi-Cal, 33% are Third Party Managed Care and 3% are indigent. Prime has committed to assume all of AMMC's contracts (including CalOptima), has submitted its Medicare enrollment application, and has agreed to provide services to charity care patients. While Prime may not renew contracts with health plans or capitated providers for Medi-Cal or Medicare managed care, patients could still access AMMC. Without contract rates, the payer would be likely to move their managed care patients to another hospital. However, if patients were seen at AMMC it is most likely that the payer would be limited to paying the costs based upon traditional Medi-Cal and traditional Medicare reimbursement.

Use of Sale Proceeds

MHS has proposed using the $7.9 million net sales proceeds to partially fund construction for Miller Children's Hospital's new patient tower which is already under construction. Because these funds are not used in the local Anaheim area for services previously provided by AMMC or for new services to the Anaheim community, these funds are not considered to provide a mitigating benefit as a result of the proposed sales transaction. The Office of the California Attorney General evaluates the proposed use of any proceeds as part of its normal review process.

Effects on the Level and Type of Charity Care Historically Provided

AMMC has a similar overall percentage of uncompensated care costs as compared to hospitals in the State of California. The recent percentages for AMMC on a cost-to-charge basis have ranged from 3.1% to 3.9%.

UNCOMPENSATED CARE COMPARISON ANAHEIM MEMORIAL MEDICAL CENTER - FY 2001 to 2005							
	Uncompensated Care as a % of			Cost to Charge Ratio	Cost of Uncompensated Care		
	Charity	Bad Debt	Total		Charity	Bad Debt	Total
2006							
AMMC	1.3%	1.8%	3.1%	22.5%	$1,884,670	$7,250,759	$9,135,429
State of Calif.				Data has not been reported			
2005							
AMMC	2.0%	1.9%	3.9%	22.9%	$3,119,921	$2,976,070	$6,095,991
State of Calif.	1.3%	1.8%	3.1%	27.0%	$610,801,932	$886,130,199	$1,496,932,131
2004							
AMMC	0.2%	3.0%	3.2%	24.4%	$264,300	$4,684,313	$4,948,613
State of Calif.	1.3%	1.9%	3.2%	27.9%	$507,655,680	$879,714,084	$1,387,369,764
2003							
AMMC	0.2%	3.1%	3.3%	24.0%	$322,015	$4,315,324	$4,637,339
State of Calif.	1.3%	1.7%	3.0%	28.1%	$539,998,790	$724,554,420	$1,264,553,210
2002							
AMMC	0.03%	2.5%	2.5%	25.3%	$38,260	$3,415,149	$3,453,409
State of Calif.	1.2%	1.7%	2.9%	30.2%	$471,903,377	$657,079,288	$1,128,982,665

Source: OSHPD Disclosure Reports, PVH's fiscal years ends 12/31.

Prime has stated its willingness to commit to providing historical levels of charity care.

Effects on Community Benefit Programs

AMMC has historically provided a significant amount of community benefit services with a three-year average of over $817,000 million in costs provided for FY 2004 - 2006 to support community education and prevention, senior health initiatives, health professionals training, etc.

Effects on Staffing and Employee Rights

AMMC employees are not represented by unions. Prime has agreed to continue the employment of all employees with benefits comparable to employees of other Prime facilities.

Effects on the Medical Staff

While Prime has committed to maintain the medical staff privileges of physicians in good standing, many have expressed the expectation that physicians may leave to other hospitals because of dissatisfaction with Prime as the buyer.

Effects on Patient Access

Prime has agreed to assume the current contracts of providers and managed care organizations. In the short term, this may preserve access for many of the managed care patients using AMMC. In the longer term, if Prime does not renew the contracts as they expire, it is likely that over a third of the patients currently seen at AMMC may only have the insurance coverage necessary for access to AMMC on an emergency basis.

Alternatives

If the proposed transaction were not approved, AMMC could be sold to other interested buyers on terms similar to Prime. It is more likely that the policies and business practices of buyers other than Prime would preserve managed care patient and physician access to AMMC.

CONCLUSIONS

Overall, the purchase by Prime is likely to insure the continued availability of emergency and acute care services in the community for at least five years of operation. In general, it could be expected that the access for non-managed senior, non-managed Medi-Cal and medically indigent patients should remain unchanged. However, as a result of the business practices and medical policies of both Prime and area health maintenance organizations, it is likely that many managed care patients will be unable to utilize the hospital except on an emergency basis.

Certain specialty services also may not be available if the composition or availability of the medical staff changes. As a result, the Hospital is likely to operate at a lesser, occupancy causing other area hospitals to absorb these patients and operate at higher levels of occupancy. While area hospitals collectively have capacity, the shift in patients could be disruptive to area patients and physicians, potentially creating problems in the continuity of patient care and increases in patients' out-of-pocket expenses.

Prime's intended capital contributions could lead to an expansion and improvement of certain services at AMMC. Additionally, if Prime can operate AMMC successfully, it may be able to financially support the costs for the seismic improvements that would be necessary to operate beyond 2013.

Acquisition Agreement Mitigation Measures

In the Asset Purchase Agreement, Prime has agreed to certain measures to mitigate or eliminate any potentially significant adverse impacts on the availability or accessibility of healthcare services to the affected community, as described below:

1) Prime will invest at least $25 million for capital improvements, equipment and/or working capital during the five years of operation following the closing date, at a rate of no less than $4 million per year;
2) Prime will assume all of AMMC's third party contracts, including providers, payers, medical groups and vendors, until the expiration of those contracts;
3) Prime will offer employment to all current employees of AMMC at their current salaries, wages and terms, and with benefits consistent to those at other Prime facilities;
4) Prime will comply with its charity care policies as in effect at its other hospitals;
5) Prime agrees to provide charity care consistent with the Hospital's existing policies in an amount no less than the average amount of charity and indigent care provided at AMMC during the three fiscal years prior to closing and increased annually by the rate of inflation as measured by the Consumer Price Index for Orange County;
6) Prime agrees to appoint a Board of Trustees consisting of physicians on the medical staff and community representatives;

7) Prime agrees to operate the hospital as a general acute care hospital and offer an emergency room for not less than five years following the closing, subject to various conditions including market demand and financial viability;
8) Prime agrees to honor all privileges granted to physicians in good standing by the medical staff of AMMC and maintain as strictly voluntary any hospitalist/intensivist program; and
9) Prime agrees to establish and implement a corporate compliance and ethics program to ensure high ethics and standards in the conduct of business.

The Acquisition Agreement does not specifically address the continued operation of other services.

Additional Potential Conditions for Transaction Approval by the Attorney General

As a result of the analysis, MDS recommends the following additional conditions for the approval of the sales transaction:

1. Prime should continue to operate AMMC as a general acute care hospital and maintain the emergency services with at least current licensure and types and levels of service for at least five years, regardless of market demand or financial viability;

2. Prime should maintain the following types of services for at least five years:
   - Medical/surgical beds or units at current licensure and levels of services;
   - Obstetrics at current licensure and levels of service;
   - Adult intensive care and coronary care units at current licensure and levels of service;
   - Cardiac and medical cardiology programs, including cardiac rehabilitation, at current levels of services;
   - Cardiovascular receiving center; and
   - The sexual assault response center.

3. Prime should accept and maintain all AMMC contracts pertaining to providers, health maintenance organizations, preferred provider organizations, independent practice organizations, and other managed care plans with current terms and conditions, with no exclusions, for at least the length of the existing contracts. Prime cannot otherwise cancel, modify, or amend any such contract without the consent of the third party. This commitment should apply regardless of whether other MHS facilities are also covered under the contract;

4. Prime should commit to provide the same types and levels of services to Medicare and Medi-Cal patients for as long as it operates AMMC as a general acute care hospital;

5. Prime should continue to operate The MemorialCare Breast Center at AMMC with the current type and levels of service for at least five years. There can be no closure of or change in current licensure and types and levels of services at the Breast Center;

6. Prime should utilize and consult the Anaheim Memorial Foundation's Board, which is made up of medical, business and other community leaders, prior to initiating any changes to Hospital services, community benefit programs, or charity care policies;

7. Prime should continue to expend $2,502,000 million in annual charity costs[6] (not charges) for at least five years. This amount should be increased annually based on the Orange County Consumer Price Index. The amount of any annual shortfall in charity care should be contributed to a nonprofit public benefit corporation that provides medical patient care to residents in the service area;

8. Prime should continue to expend an average of at least $818,000 annually in community benefit services for at least five years that includes continued support for free health education classes in English and Spanish, professional nurse and pharmacy training programs and senior services. Community benefit commitments shall be decided upon in conjunction with input from the Anaheim Memorial Foundation;

9. Prime should upgrade emergency services to become a base station; and

10. Prime should participate in the County contracts on a continuing basis as listed below:
    - Medical Services for the Indigents Program;
    - Designated Emergency Services; and
    - Emergency Preparedness and Response to Disasters and Bioterrorism Services.

Recommended Action

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

[6] OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as …charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

Appendix

Interviews were conducted with the following people:

Todd Ament – CEO, Anaheim Chamber of Commerce

Barry Arbuckle, Ph.D – President and Chief Executive Officer, MHS

Raveen Arora – MEC Member-At-Large, AMMC

Ron Bates – Board Director, AMMC

Matt Bennett – Secretary, Anaheim Memorial Foundation Board of Directors

Melinda Beswick – CEO, AMMC

Paul Bostwick – Chairman, Anaheim Memorial Foundation Board of Directors

Greg Boswell, RN – Program Director, Emergency Medical Services, AMMC

Maria-Jean Caterinicchio – Program Director, Education, AMMC

Kevin Crampton – Anaheim Memorial Foundation Board of Directors

Peggy Diller – CNO, AMMC

Liz Dunne – COO, AMMC

Erkan Ereren, M.D. – Immediate Past Chief of Staff, AMMC

Michael Fox, M.D. – Dept. Chair, Interdisciplinary Practice Comm., AMMC

Bob Gates – Project Director for Medical Services for the Indigent

Kenneth Halliday, M.D. – Dept. Chair, Cardiology Services, AMMC

Heidi Hebson – Executive Director of Marketing and Business Development, AMMC

Bob Hernandez – Chairman of the Board, AMMC and City Council Member

Jesus Hernandez, M.D. – MEC Secretary/Treasurer, AMMC

Mahaveer Khemka, M.D. – Chief of Staff, AMMC

Andrew Klein, M.D. – Medical Staff Member, AMMC

Paul Krasner, M.D. – Chair, P&T Comm., AMMC

Angi Leggitt – Director, ED, AMMC

Deborah Mathias – Chief Operating Officer, Children's Hospital of Orange County

Steve McNamara – CFO, AMMC

Dave Morgan – Board Director, AMMC and Anaheim City Manager

Joseph Mule, M.D. – Comm. Chair, Cancer Comm., AMMC

Donna Nash – Executive Director, Cardiology Services, AMMC

Keith Nelson – Board Director, AMMC

Lex Reddy – President & CEO of Prime Healthcare Services

Prem Reddy, MD - Chairman of Prime Healthcare Services

John Seymour – Board Director, AMMC

Sandy Shaw, M.D. – MEC Member-At-Large, AMMC

Alfred Sidhom, M.D. – Dept. Chair, Surgical Services, AMMC

John Stratman Jr. – Vice Chairman, Anaheim Memorial Foundation Board of Directors

Karen Testman – Senior Vice President, MHS

Melissa Tober – Manager, Orange County Emergency Medical Services

Miguel Velez, M.D. – Incoming Chief of Staff, AMMC

Nandi Wijesinghe, M.D. – Dept. Chair, Women's and Children's Services, AMMC

Robert Woodhouse, M.D. – Chair, Credentials Comm., AMMC

Ignacio Zarate, M.D. – Medical Director, ED, AMMC

Representatives of the following organizations:

- CalOptima
- PacifiCare/United Healthcare
- Kaiser Permanente Health Plan
- Talbert Medical Group
- Prospect Medical Group
- Blue Shield of California
- California Association of Health Plans

A copy of AMMC's hospital license is below:

License: 060000080
Effective: 12/03/2006
Expires: 12/02/2007
Licensed Capacity: 223

State of California
Department of Health Services

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Health Services hereby issues

this License to

Anaheim Memorial Medical Center

to operate and maintain the following **General Acute Care Hospital**

ANAHEIM MEMORIAL MEDICAL CENTER
1111 WEST LA PALMA AVENUE
ANAHEIM, CA 92801

Bed Classifications/Services
223 General Acute Care
27 Perinatal Services
22 Intensive Care
11 Intensive Care Newborn Nursery
10 Coronary Care
153 Unspecified General Acute Care

Other Approved Services
Basic Emergency
Cardiovascular Surgery
Mobile Unit - PET
Occupational Therapy
Outpatient Services
Outpatient Services at 1182 N. Euclid St., Anaheim
Outpatient Services at 1211 W. La Palma Av. #104 Anaheim
Outpatient Services - Perinatal Testing Ctr. at 1120 W. La Palma Ave., #12, Anaheim
Physical Therapy
Radiation Therapy
Respiratory Care Services
Social Services
Speech Pathology

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Sandra Shewry
DIRECTOR

JACQUELINE A. LINCER, District Manager (AUTHORIZED REP.)

Refer Complaints regarding these facilities to: The California Department of Health Services, Licensing and Certification, Orange County District Office, 2150 Towne Centre Place, Suite 210, Anaheim, CA 92806, (714)456-0630

POST IN A PROMINENT PLACE