



Press Release

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Daughters of Charity Health System Announces Sale to Prime Healthcare

Landmark Sale Given Final Approval by Local Hospital Boards

(Los Altos Hills, CA – Oct. 10) – After a thorough and rigorous review process, the Daughters of Charity Health System (DCHS) Board of Directors has approved the sale of its six California hospitals and medical foundation to Prime Healthcare Services and Prime Healthcare Foundation (Prime Healthcare) of Ontario, CA., thus ensuring that the hospitals continue to provide essential health services in their communities.

The decision was announced by DCHS President and CEO Robert Issai and Prem Reddy, MD, FACC, FCCP, Chairman, President and CEO of Prime Healthcare Services, one of the largest hospital systems in the nation. The sale was given final approval by the DCHS hospital boards today; approval by the Vatican is pending.

“In selecting candidates to take over the hospitals, our priority was to seek the best buyer who could guide our hospitals into a successful future while honoring the obligations to our associates, retirees and other constituents,” said Issai. “Prime Healthcare’s bid was superior to all others, and we are excited by today’s announcement. Prime’s selection ensures that our communities will have access to high-quality health care for years to come, that pension plans for our employees will be funded, and investments will be made in our facilities.”



“We are truly honored to be chosen by the DCHS Board of Directors to extend their mission of care delivered for decades by the doctors, nurses and staff so dedicated to the well-being of their patients,” said Dr. Reddy.

The sale must also be reviewed and approved by the California Attorney General.

Daughters of Charity started its health care mission in California in 1858 with the opening of Los Angeles Infirmary, now known as St. Vincent Medical Center, which is among the hospitals being sold. The other hospitals include St. Francis Medical Center in Lynwood, O’Connor Hospital in San Jose, Saint Louise Regional Hospital in Gilroy, Seton Medical Center in Daly City, Seton Coastside in Moss Beach, and the statewide DCHS Medical Foundation.

Last year, Daughters of Charity hospitals saw 172,000 emergency room visits and provided in excess of \$159 million in uncompensated care and services to people living in poverty, in addition to \$22 million in traditional charity care. But operating losses continued to mount at a pace of \$10 million a month due to increasing labor costs, low reimbursement rates from payors and an evolving health-care marketplace.

The DCHS board of directors began soliciting buyers in February 2014, with the goal of protecting the stakeholders’ interests and maintaining the essential services that the hospitals provide to their communities.

The list of 133 parties contacted by DCHS was narrowed to four finalists. No combination of offers for individual hospitals and other assets equaled the strength of full-system offers. Prime Healthcare’s bid was superior in all categories, meeting or exceeding more of the criteria set by the DCHS board of directors than any other bidder.

“The Daughters of Charity consider it an honor to have served the health care needs of the sick and those who are poor in California for 162 years,” said Sr. Marjory Ann Baez, DC, DCHS board chair. “Prime Healthcare gives us hope for the future of healthcare in the communities we serve. After careful consideration and discernment, we are confident in our decision and our



leaders look forward to working with Prime Healthcare to ensure our hospitals remain viable now and in the future.”

Prime Healthcare and the Prime Healthcare Foundation, a 501(c)3 charity organization, comprise a \$2.5 billion health system that owns and operates 29 acute-care hospitals with 4,700 beds in nine states. Prime Healthcare has an established track record of turning around distressed institutions. Over the past two years, Prime Healthcare has purchased four hospitals with Catholic affiliations, and has respected the historical and cultural identity of the institutions. The health system has provided more than \$2 billion in charity and uncompensated care since 2010.

By purchasing the DCHS hospitals and medical foundation, Prime Healthcare is ensuring a continuity of care while preserving the pension plans of DCHS workers past and present.

In addition:

- Prime Healthcare is committed to maintaining each of the DCHS hospitals in the communities they serve, including emergency rooms and trauma centers;
- Prime Healthcare is committed to spending at least \$150 million in capital improvements at the DCHS hospitals over the next three years;
- Prime Healthcare is committed to maintaining DCHS charity care policies and funding a pastoral care program;
- Prime Healthcare will assume existing union contracts.

All six hospitals and the DCHS Medical Foundation will be acquired under Prime Healthcare Services and Prime Healthcare Foundation ownership. The hospitals’ philanthropic foundations will also be maintained along with the same levels of charity care.

About Daughters of Charity Health System

Daughters of Charity Health System (DCHS) is a regional health system spanning the California coast from the San Francisco Bay Area to Los Angeles. Our organization includes: Seton Medical Center, Daly City; Seton *Coastside*, Moss Beach; O’Connor Hospital, San Jose; Saint Louise



Regional Hospital, Gilroy; St. Vincent Medical Center, Los Angeles; St. Francis Medical Center, Lynwood; and the DCHS Medical Foundation based in San Jose. DCHS was formed in 2002 in response to the health care needs of the people of California. Every day, more than 8,000 associates and physicians serve patients and their loved ones, providing quality, compassionate care – body, mind and spirit. For more information, visit www.dochs.org.

About Prime Healthcare

Prime Healthcare is an award-winning hospital system with 29 acute care hospitals providing more than 35,000 jobs in nine states. Based in California, Prime Healthcare is committed to providing the absolute best quality hospitals possible. It has been recognized as among the “100 Top Hospitals” in the nation 27 times and among the “15 Top Health Systems” three times, and is the only "10 Top Health System" west of the Mississippi. Our hospitals have been recognized by The Joint Commission as having eight among the "Top Performers on Key Quality Measures" in 2013. Prime Healthcare is dedicated to serving our patients and communities. Since 2010, our hospitals have provided more than \$2 billion in charity and uncompensated care. We provide more charity care than any other hospital system in California (excluding public hospitals) and nearly double the state average. With over \$800 million invested in capital improvements since 2005, we are committed to transforming all of our hospitals into award-winning centers of excellence. For more information, please visit www.primehealthcare.com

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