

**Report on Acquisition Bell Hospital, LLC
Compliance with Asset Purchase Agreement**

May 5, 2015

Pursuant to:

Monitoring, Compliance and Enforcement Agreement



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I. Overview and Background

Compliance Monitoring Overview

1. This Compliance Monitoring Report represents Stout Risius Ross, Inc.'s ("SRR") assessment of whether Acquisition Bell Hospital, LLC ("LifePoint Bell") is in compliance with specific provisions of the Asset Purchase Agreement ("APA") that LifePoint Bell executed in acquiring substantially all of the assets of Bell Memorial Hospital and Bell Medical Center. SRR has assessed LifePoint Bell's compliance with each of its APA commitments as detailed in the Monitoring, Compliance and Enforcement Agreement (the "Monitoring Agreement").

Background of SRR's Monitoring of LifePoint Bell

2. In June 2013, LifePoint Bell agreed to purchase substantially all of the assets of Bell Memorial Hospital and Bell Medical Center (the "Transaction"). In connection with its review of the Transaction, the Michigan Department of Attorney General (the "AG") entered into the Monitoring Agreement with LifePoint Bell and SRR. The Monitoring Agreement is intended to increase the transparency of the Transaction by authorizing the AG and SRR to collect information and report on LifePoint Bell's compliance with specific provisions of the APA. This includes monitoring LifePoint Bell's compliance with APA commitments regarding indigent care, capital expenditures, continuation of services, and restrictions on sale or closure of the hospital ("APA Commitments").



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II. Compliance with Specific APA Commitments

3. In 2015, SRR requested information and documents relevant to LifePoint Bell's APA Commitments subject to monitoring. SRR reviewed and analyzed the information LifePoint Bell submitted, requested clarification of certain aspects of the information, as necessary, and considered LifePoint Bell's responses to any subsequent requests, among other things. Based on our procedures performed related to the monitoring period of calendar year 2014, SRR concludes that LifePoint Bell is currently in compliance with the APA Commitments, which contain ongoing provisions.
4. In connection with our analysis, we have made such reviews, analyses, and inquiries as we have deemed necessary and appropriate under the circumstances. The principal sources of information used in performing our analysis included, but were not limited to:
 - The APA dated June 19, 2013;
 - The Monitoring, Compliance and Enforcement Agreement;
 - LifePoint Bell's Financial Assistance Policy;
 - Charity care application listings;
 - Financial information regarding patient care costs and charity care;
 - Capital expenditure listings and related invoices;
 - Summary of expenditures resulting from physician recruitment activities, and related payroll records, invoices, and general ledger reports;
 - LifePoint Bell charge reports and performed procedures listings;
 - Scheduled Services listing;
 - A review of available information regarding the services offered to the community; and
 - LifePoint Hospitals, Inc.'s Annual Report.
5. We address LifePoint Bell's compliance with each of the specific APA Commitments below.

Indigent Care

6. The APA included a commitment by LifePoint Bell to institute and maintain the indigent care policy in effect at the hospital immediately prior to the acquisition. SRR's review of the policy for indigent care assistance, active at LifePoint Bell for the 2014 testing period, shows that it is consistent with the pre-acquisition policy.
7. As part of the indigent care testing, SRR has also reviewed LifePoint Bell's adherence to the policy guidelines in its handling of financial assistance applicants. Based on our testing of a random representative sample of financial assistance applicants, we have determined that LifePoint Bell is in compliance with its indigent care policy.
8. Additionally, LifePoint Bell has historically reported on its annual charity care under the aforementioned guidelines. Through our review of this information, SRR has determined that LifePoint Bell's charity care expenditures for 2014 are in line, in all material respects, with pre-acquisition levels.



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Capital Commitment

9. The APA included a commitment that LifePoint Bell would spend or commit to spend the specified minimum amount of \$5.0 million in capital improvements or related expenditures within the ten years following the APA Closing. LifePoint Bell has reported investments in its delivery system infrastructure through projects undertaken or planned, and thus appears to be on track with its Capital Plan to meet its APA commitment regarding capital expenditures.
10. In its Compliance Certificate filed with the AG, LifePoint Bell represented that it has spent \$1,204,916 toward its capital commitment, of which \$1,133,180 was spent in 2014. Upon review of the documents provided in support of these expenditures, SRR has identified capital spending in excess of the reported level on LifePoint Bell's Compliance Certificate through the year-ended 2014. The value of capital expenditures in excess of the reported amount totals \$745,773. This additional capital expenditure is driven by a significantly larger information technology expenditure allocation from the LifePoint Hospital Support Center to LifePoint Bell than what was used to calculate the \$1.2 million figure. This results in LifePoint Bell's total capital commitment expenditure through the year-ended 2014 being \$1,950,689.
11. LifePoint Bell appears to be on track to comply with their capital expenditure commitments, however, as the deadline has not been reached, SRR cannot draw a conclusory opinion until those testing years. Therefore, this Report highlights expenditures and demonstrates investment by LifePoint Bell during 2014, but does not assess whether any of the spending commitments have been fully satisfied.

Continuation of Service

12. The APA included a commitment that LifePoint Bell would continue to provide or enhance the Scheduled Services, identified on APA Schedule 9.12, offered by Bell Memorial Hospital and Bell Medical Center to the community, prior to the acquisition, throughout the Commitment Period.
13. Based on our review of LifePoint Bell's reported procedures performed and related charges for the three-year period from 2012 through 2014, as well as the publicly available information regarding its services offered to the community, among other things, SRR has determined that the Scheduled Services delineated on APA Schedule 9.12 were being provided to the community. Therefore, LifePoint Bell is in compliance with this APA Commitment for the 2014 monitoring period.
14. SRR did identify a decline in volume of particular services including certain surgical procedures, angiography lab services, and critical care bed usage. Based on our discussions with LifePoint Bell personnel and our review of related documents, this decline was caused by the departure of physicians who, historically, had performed a substantive portion of these services. These departures included surgeons specializing in interventional radiology, urology, and general surgery. LifePoint Bell has been actively recruiting for each of these open positions and has utilized an independent surgical group to continue providing these services to the community. SRR will continue to closely monitor these services throughout the remainder of the Monitoring Agreement.



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Restrictions on Sale of Hospital

15. Upon review of LifePoint Hospitals, Inc.'s Form 10-K, it is apparent that LifePoint continues to retain ownership and operation of the Bell Hospital assets, and therefore is compliant regarding the restriction on the sale of assets of the hospital.



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III. Assumptions and Limiting Conditions

16. We have not been requested to assess, and our Report does not in any manner address, LifePoint Bell's compliance with any portion or covenant of the APA, except as specifically set forth herein. Furthermore, no opinion, counsel or interpretation provided herein is intended for use in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. SRR's conclusions are based on the information received from LifePoint Bell personnel through the date of this report.
17. No one that worked on this engagement has any known financial interest in LifePoint Bell or the outcome of the monitoring. Further, Stout Risius Ross, Inc.'s compensation is neither based nor contingent on the results of the analysis.
18. SRR's conclusions are applicable for the stated date and purpose only, and may not be appropriate for any other date or purpose. This report is solely for use in the cited monitoring, for the purpose stated herein, and is not to be referred to or distributed, in whole or in part, without prior written consent.

Jeffrey J. Mordaunt
Managing Director
Stout Risius Ross, Inc.