

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

April 30, 2016

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 certain 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 these 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, LifePoint Hospitals Holdings, LLC (f/k/a LifePoint Hospitals Holdings, Inc.) 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 certain 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 Certain APA Commitments

3. In 2016, 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 2015, 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;
 - UP Health System Bell: Financial Assistance policy;
 - Financial assistance 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 Health, 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 2015 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 2015 are in line, in all material respects, with prior years and 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 \$2,466,866 toward its capital commitment, of which \$582,445 was spent in 2015. 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 merely highlights expenditures and demonstrates investment by LifePoint Bell during 2015, but does not assess whether any of the spending commitments have been fully satisfied.

Continuation of Services

11. The APA included a commitment that LifePoint Bell would continue to provide, in all material respects, 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.
12. Based on our review of LifePoint Bell's reported procedures performed and related charges for 2015, as well as the publicly available information regarding its services offered to the community, among other documentation, SRR has determined that the Scheduled Services delineated on APA Schedule 9.12 were being provided to the community at materially similar levels to those being provided pre-acquisition. Therefore, LifePoint Bell is in compliance with this APA Commitment for the 2015 monitoring period.
13. SRR did identify a decline in volume of particular services including angiography lab services, and EMS Services. Based on our discussions with LifePoint Bell personnel and our review of related documents, the decline in angiography lab services was caused by the departure of a physician who, historically, had performed a substantive portion of these services. LifePoint Bell has been actively recruiting for this open position and has utilized an independent surgical group to continue providing these services to the community. The EMS services have been consolidated with UP Health System – Marquette (“UPHS Marquette”). This consolidation consisted of EMS staff being centralized at UPHS Marquette and a lease agreement being executed with UPHS Marquette as the Licensee to Bell's EMS facility. This has allowed for cross-coverage across both facilities. SRR will continue to closely monitor these services throughout the remainder of the Monitoring Agreement.



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Restrictions on Sale of Hospital

14. Upon review of LifePoint Health, Inc.'s Form 10-K, it is apparent that LifePoint continues to retain ownership and operation of the LifePoint Bell 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

15. 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.
16. 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.
17. 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.