

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

April 30, 2017

Pursuant to:

Monitoring, Compliance and Enforcement Agreement



– This Page Intentionally Left Blank –



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

April 30, 2017

Table of Contents

I.	Overview and Background	2
II.	Compliance with Specific APA Commitments	3
III.	Assumptions and Limiting Conditions	5



April 30, 2017

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. Upon completion of all testing procedures, SRR will assess 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, services offered to the community, and restrictions on sale or closure of the hospital ("APA Commitments").





April 30, 2017

II. Compliance with Specific APA Commitments

3. In 2017, SRR requested information and documents relevant to LifePoint Bell's compliance with the APA Commitments subject to monitoring. SRR reviewed the information LifePoint Bell submitted, requested clarification of certain aspects of the information, and reviewed LifePoint Bell's responses to those subsequent requests. SRR's review of this information will indicate whether 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;
 - LifePoint Bell charge reports and performed procedures listings;
 - Scheduled Services listing;
 - A review of available information regarding the services offered to the community;
 - Advisory Board of Directors' Meeting Minutes;
 - 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 2016 testing period, shows that it remains 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 the LifePoint Bell is in compliance with its indigent care policy.
8. Additionally, LifePoint Bell has reported on its annual charity care under the aforementioned guidelines. Through our review of this information, SRR has determined that LifePoint Bell's financial assistance expenditures for 2016 are reduced from its pre-acquisition levels. Based on discussions with LifePoint Bell personnel and our review of supporting documentation, the reduced expenditure is the result of changes enacted through the Affordable Care Act which expanded Medicaid access in Michigan, increasing coverage for members of the community. This led to a reduced need for the hospital to provide direct financial assistance to individuals, although access to financial assistance remained consistent with pre-acquisition practices.



April 30, 2017

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 \$1,371,097 in 2016 toward its capital commitment, for a running total of \$3,904,231. Based on our review of the documents provided in support of these expenditures, as well as discussions with LifePoint Bell personnel, SRR has confirmed LifePoint Bell's reported level of capital expenditures through the year-ended 2016.
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 2016, but does not assess whether any of the spending commitments have been fully satisfied.

Continuation of Services

12. The APA included a commitment that LifePoint Bell would continue to provide the Scheduled Services 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 2016 procedures performed and the associated charges, as well as the publicly available information regarding its services offered to the community, among other documentation, SRR has determined that the Scheduled Services outlined on APA Schedule 9.12 continued to be provided to the community. Therefore, LifePoint Bell is in compliance with this commitment pursuant to Schedule 9.12 for the 2016 monitoring period.
14. SRR did identify a decline in volume of certain services. Based on our discussions with LifePoint Bell personnel and our review of related documents, the decline was caused by the departure of a physician who, historically, had performed a substantive portion of these services. However, per our review these services are still being provided. Additionally, LifePoint Bell has coordinated with UP Health System – Marquette (“UPHS Marquette”) to operate the EMS services provided at LifePoint Bell. 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.

Restrictions on Sale of the Hospital

15. Upon review of LifePoint Health, Inc.'s Form 10-K and the Bell Advisory Board of Directors Meeting Minutes, 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.





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

April 30, 2017

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 is intended 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.

