



Garden City Hospital

SAJU GEORGE, CHIEF EXECUTIVE OFFICER

April 26, 2017

Attorney General
525 W. Ottawa – 7th Floor
Lansing, MI 48933
VIA FEDERAL EXPRESS OVERNIGHT

Dept. of
Attorney General
APR 28 2017
Charitable Trust Section
Received

and

Department of Attorney General
Corporate Oversight Division
Charitable Trust Section Attorney – Time Sensitive
525 W. Ottawa, 6th Floor
Lansing, MI 48933
VIA FEDERAL EXPRESS OVERNIGHT

RE: Prime Healthcare Services – Garden City, LLC’s Second Annual Monitoring Report

Dear Mr. Bloomfield:

The purpose of this letter is to provide Prime Healthcare Services – Garden City, LLC’s Second Annual Report on the status of each of the Post Closing Covenants contained in the Asset Purchase Agreement dated July 1, 2014, and any amendments, thereto. This report covers the calendar year of January 1, 2016 to December 31, 2016. This report is issued pursuant to the requirements of the Monitoring Compliance and Enforcement Agreement (MCE Agreement) among the Department of Attorney General, Garden City Hospital (GCH), Prime Healthcare Services – Garden City, LLC, Prime Healthcare Services (PHS), and Stout Risius Ross (SRR).

Under this MCE Agreement, GCH is tasked with monitoring the compliance of PHS with the Post-Closing Covenants contained in the Asset Purchase Agreement dated July 1, 2014 (a copy of the Post Closing Covenants are attached as **Exhibit 1**).

The following is a summary of GCH’s observations on the Post Closing Covenants.

Capital Commitment – Section 12.3

Section 12.3 of the APA requires that PHS have a current capital plan in place. Attached as **Exhibit 2** is a copy of the PHS/GCH capital plan for the current monitoring.

In addition to having a current capital plan in place, Section 12.3 requires that PHS/GCH present evidence of the annual capital spend for the current monitoring period. Listed below (and attached as noted) are the categories of the strategic master capital plan required for monitoring.

a. Physician Recruitment and Retention

During the monitoring period, PHS and GCH have made a concerted effort to recruit physicians and retain the members of its current medical staff. During the monitoring period, GCH did not employ any new physicians, however, GCH has credentialed or re-credentialed 248 physicians, including 69 new to our medical staff, during the reporting period. Attached as **Exhibit 3** is a list of employed physicians and physicians that have been credentialed or re-credentialed during the monitoring period.

b. Increasing the Number and Scope of Medical Service Offerings

PHS and GCH did not increase the number of medical services it offers during the current reporting period. However, PHS and GCH increased the scope of several of our service offerings, including, but not limited to, interventional cardiology, neurosurgical services, emergency services, labor and delivery, and internal and family medicine. In addition, during 2016 GCH applied for Certificates of Need in elective PCI and inpatient psychiatric services. Attached as **Exhibit 4** is a listing of the GCH service offerings during the current monitoring period.

c. Investment in Information Systems

Attached and included in **Exhibit 2** is a list of the capital expenditures in the information systems. Some of the highlights of the capital expenditures include numerous other upgrades to hospital hardware and software that will enhance patient care and safety. These include upgrades in telemetry monitoring, upgrades for the EHR, health information management, and pharmacy hardware and software.

d. New Equipment (Purchased or Leased)

Attached and included in **Exhibit 2** is a list of the capital expenditures for new equipment. Some of the highlights of the capital expenditures include new OR lights, surgical display monitors and other OR equipment, a new ventilator, a new camera system for OB, new med/surg beds, two new ultrasound machines and new refrigerators and a centrifuge for the lab and other laboratory equipment.

e. Facilities Repair, and Maintenance (Excluding Routine Expenses)

Attached and included in **Exhibit 2** is a list of the capital expenditures for facility repair and maintenance (excluding routine maintenance). These capital investments include a new boiler HVAC units and roof at the Harrison building and the main building, numerous fire sprinkler upgrades, and hardware for water treatment.

f. Facility Renovations

Attached and included in **Exhibit 2** is a list of the capital expenditures for facility renovations. Facility renovations include new fire alarm systems, expansion of the cath lab, renovations to the

pharmacy clean room, fire stop installation, paving the parking lots and new sidewalks at the main hospital and the Harrison building, and new exit signs.

g. New Facilities

PHS and GCH did not purchase any new facilities during the current reporting period.

h. New or Renovated Medical Office Space

PHS and GCH did not purchase or renovate any medical office space during the current reporting period.

i. Information Systems

Attached and included in **Exhibit 2** is a list of the capital expenditures in the information systems. Some of the highlights of the capital expenditures include numerous other upgrades to hospital hardware and software that will enhance patient care and safety. These include upgrades in telemetry monitoring, upgrades for the EHR, health information management, workforce management software and hardware and pharmacy hardware and software.

j. Other Capital Improvements

Additionally, PHS and GCH have made capital investments in equipment purchases, including, but not limited to, a new oven/griddle for food service and checklist boards and mounting kits for patient rooms (See **Exhibit 2**).

Maintenance of Acute Care Hospital – Section 12.12

The MCE states that PHS shall maintain the Hospital as an acute care, with substantially consistent services offerings as of the Closing Date, and with an open accessible emergency department, for no less than five (5) years after the Closing date. Further, the MCE requires that PHS continue to use the name “Garden City Hospital” for the Hospital.

Attached as **Exhibit 5** is a system-generated Hospital Usage Report, which indicates the quantity of procedures performed and the associated dollar amounts charged and received.

PHS has maintained substantially consistent service offerings, and has maintained an active, accessible emergency department. A copy of the Hospital service offerings is attached as **Exhibit 4**, and the GCH emergency department activity log is attached as **Exhibit 6**.

In addition, PHS has maintained and continues to use the name “Garden City Hospital” for the Hospital. A copy of the State of Michigan licensing paperwork and proof of payment of the corresponding dues/fees is attached as **Exhibit 7**.

Charity Care and Community Benefit – Section 12.14

Under Section 12.14, a copy of the Buyer's Charity Care Policy, dated July 2014, to show GCH's internal charity care processes, which was adopted by GCH and has been in effect since that time, is included as **Exhibit 8**. GCH represents that the Charity Care Policy adopted July of 2014 is no less favorable than the previous, July 2012 policy, which was in effect immediately prior to the sale, is attached as **Exhibit 9**.

Also attached is a listing of all charity care provided to the community pursuant to GCH's charity care policy (See **Exhibit 10**, attached).

Covenant Not to Sell Hospital – Section 12.15

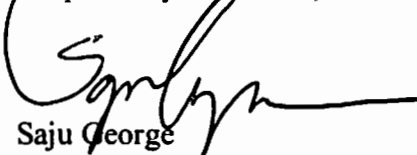
The MCE provides that, for a period of five (5) year following the closing date, PHS shall not sell the assets of the hospital to a third party, and GCH shall remain a direct or indirect subsidiary of PHS. PHS represents that no assets of the hospital have been transferred to a third- party.

GCH and PHS have not sold or transferred and assets of the hospital.

Conclusion

In conclusion, PHS and GCH are confident that the Monitor will find that they, for the current monitoring period, have met their obligations under the Post-Closing Covenants in the Purchase Agreement. GCH is also confident in the premise that precipitated the purchase by PHS; that the purchase of GCH by PHS, and the investments made, therein, has ensured that GCH will have the ability to serve as a community hospital for the foreseeable future.

Respectfully submitted,



Saju George
Chief Executive Officer
Garden City Hospital

Cc: Troy Schell
General Counsel
Prime Healthcare Services

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Attention: Jay B. Wachowicz, CFA