

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

April 30, 2019

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, LLC's (the "Monitor") 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. Through its review of supporting documentation and analytical testing procedures, the Monitor 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 the Monitor's Review 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 the Monitor. The Monitoring Agreement is intended to increase the transparency of the Transaction by authorizing the AG and the Monitor 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").





II. Compliance with Specific APA Commitments

3. In 2019, the Monitor requested information and documents relevant to LifePoint Bell's compliance with the APA Commitments subject to monitoring for the calendar year ended December 31, 2018 (the "2018 Reporting Period"). The Monitor reviewed the information LifePoint Bell submitted, requested clarification and additional support for certain aspects of the information, and reviewed LifePoint Bell's responses to those subsequent requests. The Monitor's review of this information ultimately determines 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;
 - 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.
5. We address LifePoint Bell's compliance with each of the specific APA Commitments below:

Indigent Care

6. The APA includes a commitment by LifePoint Bell to institute and maintain the indigent care policy in effect at the hospital immediately prior to the acquisition. Based on its review of the supporting documentation and related discussions with LifePoint Bell personnel, the Monitor's review of the policy for indigent care assistance, active at LifePoint Bell for the 2018 Reporting Period, shows that it is consistent with the pre-acquisition policy.
7. As part of the indigent care testing, the Monitor has also reviewed LifePoint Bell's adherence to the policy guidelines in its handling of financial assistance applicants. Based upon its discussions with LifePoint Bell personnel and completion of testing of a random representative sample of financial assistance applicants, the Monitor has determined that LifePoint Bell is in compliance with its indigent care policy for the 2018 Reporting Period.
8. Additionally, LifePoint Bell has reported on its annual charity care under the aforementioned guidelines. Through our review of this information, the Monitor has determined that LifePoint Bell's financial assistance expenditures for 2018 are



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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. Based upon our discussions with LifePoint Bell, the hospital has implemented procedures to proactively identify and meet with patients in need of financial assistance and initiate and guide them through the application process.

Capital Commitment

9. The APA included a commitment that LifePoint Bell would spend or commit to spend the specified minimum amount of \$5 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 has followed its Capital Plan in order to meet its APA commitment regarding capital expenditures.
10. In its 2018 Compliance Certificate filed with the AG, LifePoint Bell represented that it has spent an additional \$576,279 in 2018 toward its capital commitment, for a running total of \$5,987,584. Upon review of the documents provided in support of these expenditures, as well as discussions with LifePoint Bell personnel, an error was discovered resulting in an adjustment of \$1,000 for a capital expense item. The Monitor has confirmed that the corrected level of capital expenditure for 2018 was \$575,279 bringing its running total to \$5,986,584 since December 2013.
11. Based on the total capital expenditures reported in prior years and previously confirmed by the Monitor, LifePoint Bell has already fully-satisfied its ten-year capital expenditure commitment of \$5 million, under the terms of the APA.

Continuation of Service

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 its review of LifePoint Bell's 2018 procedures performed and the associated charges, as well as the publicly available information regarding its services offered to the community, the Monitor has determined that LifePoint Bell continues to provide each of the Scheduled Services to the community during the 2018 Reporting Period and is thereby in compliance with this commitment pursuant to Schedule 9.12.

Restrictions on Sale of Hospital

14. Upon review of the Bell Advisory Board of Directors Meeting Minutes, among other financial reporting, LifePoint continued 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 for the 2018 Reporting Period.



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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 is intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. The Monitor'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, LLC's compensation is neither based nor contingent on the results of the analysis.
17. The Monitor'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.

A handwritten signature in black ink, reading "Joshua E. Swedlow", written over a horizontal line.

Joshua E. Swedlow
Senior Manager
Stout Risius Ross, LLC