



Profits & Patients

THE FINANCIAL STRENGTH AND CHARITABLE CONTRIBUTIONS
OF SAN FRANCISCO HOSPITALS

PREPARED FOR
THE GOOD NEIGHBOR COALITION
COALITION FOR HEALTH PLANNING - SAN FRANCISCO
JOBS WITH JUSTICE

COMMUNITY ECONOMIC DEVELOPMENT CLINIC
UNIVERSITY OF CALIFORNIA
HASTINGS COLLEGE OF THE LAW

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NEW TENDERS



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Mainly due to Sutter Health's plan to alter its current hospital structure within San Francisco, the provision of community health benefits by San Francisco hospitals is now a major issue before the Planning Commission and Board of Supervisors. California Pacific Medical Center (CPMC), Sutter Health's San Francisco affiliate, has proposed construction of a 555-bed hospital and accompanying medical buildings as a Cathedral Hill Campus located at the intersection of Van Ness Avenue and Geary Boulevard. The new Campus would consolidate most of CPMC's inpatient and specialty services into one location. As part of the same project, CPMC also plans to build a new 80-bed hospital on the St. Luke's campus to replace the existing hospital, which has 229 licensed beds including 130 staffed beds.

San Francisco Hospitals

Sutter Health is a private, non-profit hospital conglomerate. One of Sutter Health's major hospital systems is CPMC, which is comprised of four campuses. For data gathering by the San Francisco Department of Public Health, Sutter Health reports the California, Davies, and Pacific campuses under the CPMC umbrella name and St. Luke's as a separate entity. This report maintains this division for patient data reporting purposes, with the exception of the financial section. St. Luke's is a part of CPMC organizationally. Therefore, financial figures are presented as combined so as to present an accurate picture of CPMC-St. Luke's overall financial standing as a single entity.

Saint Francis Memorial Hospital (Saint Francis) and St. Mary's Medical Center (St. Mary's), while both part of the Catholic Healthcare West organization, are considered separate entities. Both are distinct hospitals with different policies, mission statements, and structures. The other conventional nonprofit hospital is the significantly smaller Chinese Hospital.

The three other major hospitals are San Francisco General Hospital (SFGH), University of California, San Francisco

Medical Center (UCSF), and Kaiser Permanente (Kaiser). These hospitals voluntarily report data to the Department of Health, but are not mandated to do so under the Charity Care Ordinance.

Report Highlights

The following are key findings regarding the operations of San Francisco's private nonprofit mandatory reporting hospitals.

- **Profits:** Between 2006 and 2010, CPMC-St. Luke's posted a net income of \$743.9 million compared to St. Mary's which posted a net income of \$22.6 million and Saint Francis which lost \$14.8 million.
- **Charity Care:** In 2010, CPMC's three oldest campuses (Davies, California, and Pacific campuses) saw charity care patients at a patients per bed rate less than half that of Saint Francis, despite being more than 3 times the size of Saint Francis and having significantly greater financial stability.
- **St. Luke's:** In 2010, St. Luke's reported approximately half of its patient days as serving those on Medi-Cal. SFGH is the only other hospital in San Francisco where there is such a high percentage of patient days utilized by Medi-Cal patients.

CPMC is the City's most profitable hospital. With approximately 99,000 patients seeking Charity Care and 130,945 patients relying on Medi-Cal, and an expectation that these numbers will grow, the need for all San Francisco private nonprofit hospitals to serve low-income San Francisco residents, at levels commensurate with their capacity and profitability, continues to be a significant public policy concern.

SOURCE State of California, Department of Health Care Services, Medi-Cal Beneficiary County Pivot Table - Most Recent 24 Months, http://ww2.dhcs.ca.gov/dataandstats/statistics/Pages/RASS_Medi-CalBeneficiaries-SummaryPivotTableMostRecent24Months.aspx (last visited Oct. 29, 2011).

There are currently eight hospitals within the City and County of San Francisco that provide information as set forth in San Francisco's Charity Care Ordinance: Saint Francis Memorial Hospital (Saint Francis, Catholic Healthcare West), St. Mary's Medical Center (St. Mary's, Catholic Healthcare West), Chinese Hospital, California Pacific Medical Center: California, Davies, and Pacific campuses (CPMC, Sutter Health), California Pacific Medical Center: St. Luke's Hospital campus (St. Luke's, Sutter Health), San Francisco General Hospital (SFGH), University of California, San Francisco Medical Center (UCSF), and Kaiser Permanente (Kaiser). Of these eight hospitals, five hospitals (Saint Francis, St. Mary's, Chinese Hospital, CPMC, and St. Luke's) are required to report annually to the San Francisco Department of Public Health on the charity care they provide within San Francisco, while the other three hospitals (SFGH, UCSF, and Kaiser) report voluntarily.

Sutter Health plans a \$2.2 billion re-build of its San Francisco facilities. Given Sutter Health's significant role in San Francisco's health care system and the potential impact of such a large hospital development, this report pays particular attention to the patient mix and profitability of all four CPMC campuses in the City's healthcare landscape.

Sutter Health: California Pacific Medical Center and St. Luke's Hospital

In 2007, Sutter Health consolidated St. Luke's and CPMC, integrating St. Luke's as one of the CPMC's campuses within San Francisco. However, within the San Francisco Charity Care Report, CPMC and St. Luke's are presented as distinct hospitals.

Within this report, CPMC and St. Luke's are generally presented as separate facilities in order to illustrate the distinct patient population served by St. Luke's. However, because St. Luke's and the other campuses are managed as one organization, CPMC and St. Luke's are presented in the financial section as a single entity (CPMC-St. Luke's), so as to give a more accurate picture of CPMC's financial position in San Francisco.

Catholic Healthcare West: Saint Francis Memorial Hospital and St. Mary's Medical Center

Saint Francis and St. Mary's are both a part of the Catholic Healthcare West network. However, due to the structure of the organizations, the two hospitals are separate and independent entities within the Catholic Healthcare West organization. Therefore, the data for the two hospitals is presented separately to properly reflect this corporate division.

Non-Reporting Hospitals: Kaiser Permanente, San Francisco General Hospital, University of California, San Francisco

Under San Francisco's Charity Care Ordinance, three out of the eight hospitals are not required to report to the Department of Public Health. The ordinance exempts from the mandatory reporting requirements SFGH and UCSF, as city or state supported hospitals, and Kaiser, as a hospital that does not provide a significant level of services on a fee-for-service basis and is a health maintenance organization. Though not required to report, these other hospitals voluntarily provide data for the Charity Care Report.

Within this report, data for SFGH and UCSF are included within the tables following the graphs. The graphs specifically focus on those hospitals in the private sector required, as a public policy priority, to make annual reports to the San Francisco Department of Health.

Because Kaiser is a health maintenance organization and not primarily a fee-for-service hospital, it does not provide certain patient revenue data typically available from fee-for-service hospitals. Kaiser also reports most of its data on a regional basis only, so that it is difficult to obtain for its San Francisco hospital data that is comparable to what is reported by other private San Francisco hospitals.

Sources Used

The primary sources utilized in compiling this report were: San Francisco Department of Public Health, San Francisco Hospitals Charity Care Report FY 2010: 10 Years of Charity Care Reporting; State of California, online data from Office of Statewide Health Planning and Development (OSHPD), Hospital Financial Report; and Internal Revenue Service 990 Forms.

San Francisco Hospitals Charity Care Report FY 2010

The annual San Francisco Hospitals Charity Care Report is produced to summarize and track the levels of charity care being given within the city. Each year San Francisco requires private hospitals, excluding hospitals that do not provide a significant level of services on a fee-for-service basis and are health maintenance organizations, to report on the the number of patient applications processed, patients served, and the amount of charity care provided. The reporting requirements are stipulated by San Francisco's Charity Care Ordinance and focus specifically upon emergency, inpatient, and outpatient medical care given to those who cannot afford to pay without the expectation of reimbursement.

OSHPD

A division of the California Health and Human Services agency, OSHPD endeavors to make "equitable healthcare accessibility" a reality for Californians. Towards this end, OSHPD's Health Information Division provides public access to a wide range of healthcare facts and statistics to facilitate in the planning and development of medical services in the state.

This report, as well as the San Francisco Hospitals Charity Care Report, relies heavily on OSHPD data to determine facility size and capacity, utilization rates, and other key statistics.

Internal Revenue Service 990 Forms

The Internal Revenue Service 990 form is submitted by tax-exempt organizations to provide annual financial information to the Internal Revenue Service (IRS). The 990 includes data on each organization's income, expenditures, and charitable contributions. The IRS additionally requires on each 990 form the reporting of an organization's charity care policies, community benefits provided, and the costs of the community benefits and charity care.

Overview

This report analyzes the financial strengths, other income, and patient mix of San Francisco's hospitals. Those hospitals are: Saint Francis Memorial Hospital (Saint Francis, Catholic Healthcare West), St. Mary's Medical Center (St. Mary's, Catholic Healthcare West), Chinese Hospital, California Pacific Medical Center: California, Davies, and Pacific campuses (CPMC, Sutter Health), California Pacific Medical Center: St. Luke's campus (St. Luke's, Sutter Health), San Francisco General Hospital (SFGH), University of California, San Francisco Medical Center (UCSF), and Kaiser Permanente (Kaiser).

This report specifically examines the role played by Sutter Health's San Francisco hospital affiliate (CPMC-St. Luke's), which has pending before the San Francisco Planning Commission and Board of Supervisors an over \$2 billion rebuild project of its hospitals. This project includes a new campus at Cathedral Hill and a new hospital at the St. Luke's campus.

Current Status of Charity Care Needs Within San Francisco

According to the San Francisco 2010 Charity Care Report, the number of patients receiving charity care citywide averages 99,000 annually. This number has remained at a fairly stable level over the last decade, reaching a high of 110,545 in 2003 and a low of 92,262 in 2008. Despite a relatively stable patient population, the rising cost of health care has pushed charity care expenditures from \$102,664,748 in 2006 to \$177,455,538 in 2010.

It is currently estimated that there are 60,000 uninsured adults in San Francisco. In 2010, Healthy San Francisco (HSF), San Francisco's safety net program for uninsured adults, reached an enrollment of 53,428 uninsured adults or approximately 89% of San Francisco's uninsured population. As HSF seeks to enroll every uninsured San Francisco adult, there is a constant need for hospitals to do their fair share in providing services for HSF participants.

It appears that the need for charity care and HSF access is not going to diminish in the coming years. According to San Francisco's 2010 Charity Care Report, even with the enactment of the Federal Patient Protection and Affordable Care Act (ACA), the need for charity care within San Francisco will continue to grow. Despite the goal of the ACA to expand health care coverage to 32 million people by 2019, and to eventually expand coverage to 95 percent of all legal residents, the uninsured population of San Francisco will still exist. It is estimated that approximately 68,400 San Francisco residents will remain uninsured, even once the ACA is implemented.

Financial

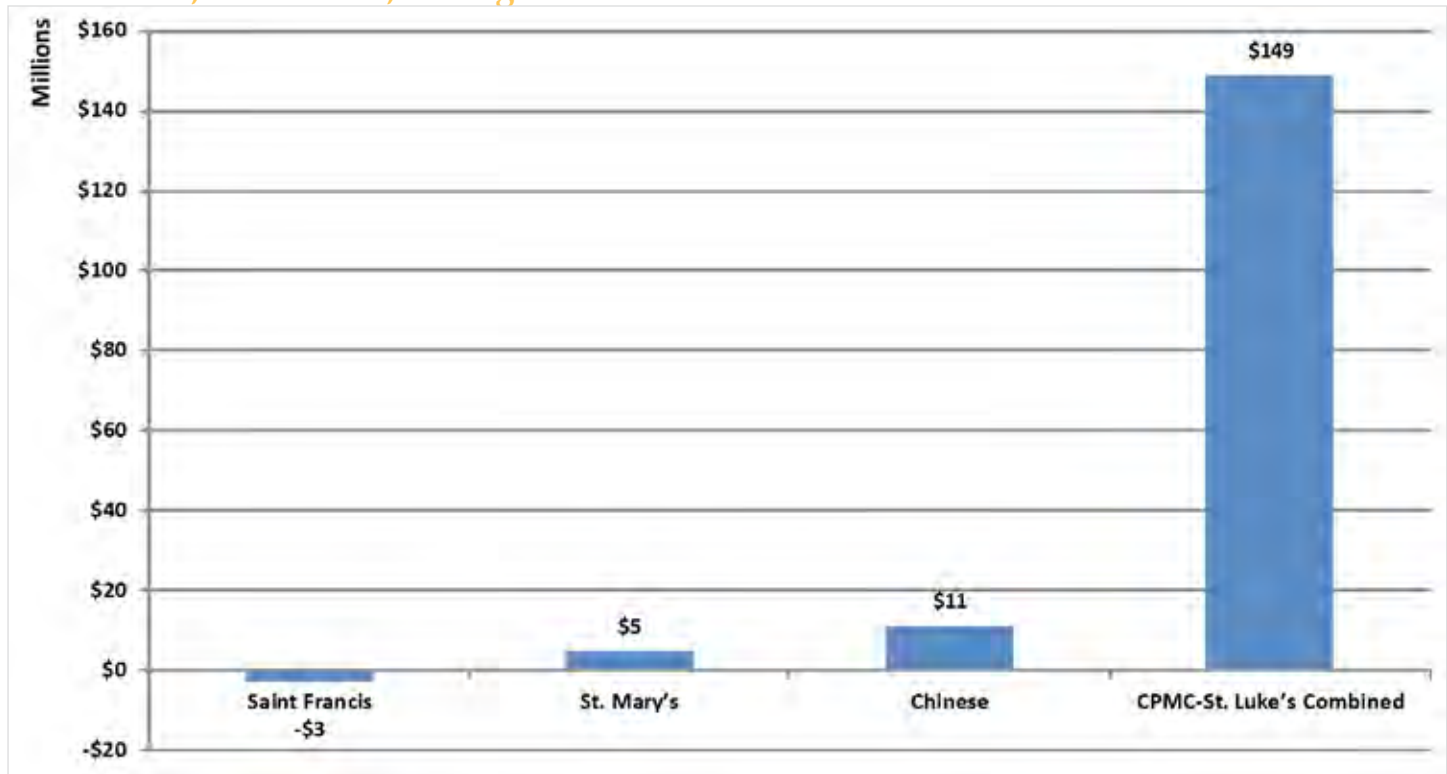
The financial situations of the nonprofit hospitals within San Francisco vary greatly. Between 2006 and 2010, Saint Francis has operated at an average loss of roughly \$3 million. This constitutes a total loss over five years of \$14.8 million. St. Mary's has operated at an average profit of \$4.4 million with a total profit of \$22.6 million between 2006 and 2010.

On the other end of the spectrum CPMC-St. Luke's, including all losses attributed to St. Luke's, operated at an average profit of \$148.8 million with a total profit of \$743.9 million between 2006 and 2010.

Furthermore, in 2010 CPMC had current assets of \$573.8 million and St. Luke's had current assets of \$17.7 million. This is substantially larger than Saint Francis and St. Mary's with current assets of \$134.5 million and \$129.2 million, respectively.

Hospitals furthering a charitable purpose, and not operating on a proprietary basis, also qualify to receive corporate income tax, sales tax, and state and local property tax exemptions. These tax exemptions translate into significant tax savings for large profitable hospitals such as CPMC-St. Luke's. Such hospitals also financially benefit from being able to borrow money at low tax-exempt bond rates.

Net Income, in Millions, Average FY 2006-2010



CPMC-St. Luke's is not only the most profitable hospital in San Francisco, but it is also the most profitable hospital in the Sutter Health statewide network. Out of twenty-one hospital groups within the Sutter Health network, CPMC-St. Luke's brought in nearly one quarter of Sutter Health's average net income over the last five years.

Charity Care

Presently, a majority of uninsured San Francisco residents rely upon SFGH and the emergency rooms at other San Francisco Hospitals for their medical needs. These residents rely on the provision of charity care, care given without the expectation of reimbursement, to receive necessary medical care that they otherwise could not afford. Currently, the overburdened SFGH cannot provide charity care equal to the need. Other San Francisco hospitals need to do their fair share. In particular, Sutter Health's Pacific, California, and Davies campuses (collectively CPMC for patient mix reporting purposes), based upon statistical information

self-reported by the hospitals, have not performed at a level commensurate with their joint capacity and overall profitability.

In 2010, Saint Francis spent 4 times as much on charity care than CPMC as a percentage of net patient revenue, and provided care for more than twice as many charity care and HSF patients per staffed bed. St. Mary's served slightly more charity care patients per staffed bed than CPMC in 2010, but committed nearly twice as much charity care funding relative to its net patient revenue. And Chinese Hospital, with only 30 staffed beds, provided charity care to an equal number of patients per staffed bed as the substantially larger CPMC, which has 514 staffed beds.

St. Luke's Hospital

A vital component of San Francisco's healthcare safety net, St. Luke's is the only private hospital serving the city's southeastern neighborhoods—communities with some

of the lowest incomes in San Francisco. Since St. Luke’s came under the management of CPMC in 2007, CPMC management has reduced the number of staffed beds at the facility by 20 percent, and its redevelopment plan would reduce that number by at least an additional 35 percent. The proposed plan decreases the capacity of St. Luke’s by 149 licensed beds, a nearly two-thirds potential reduction in size.

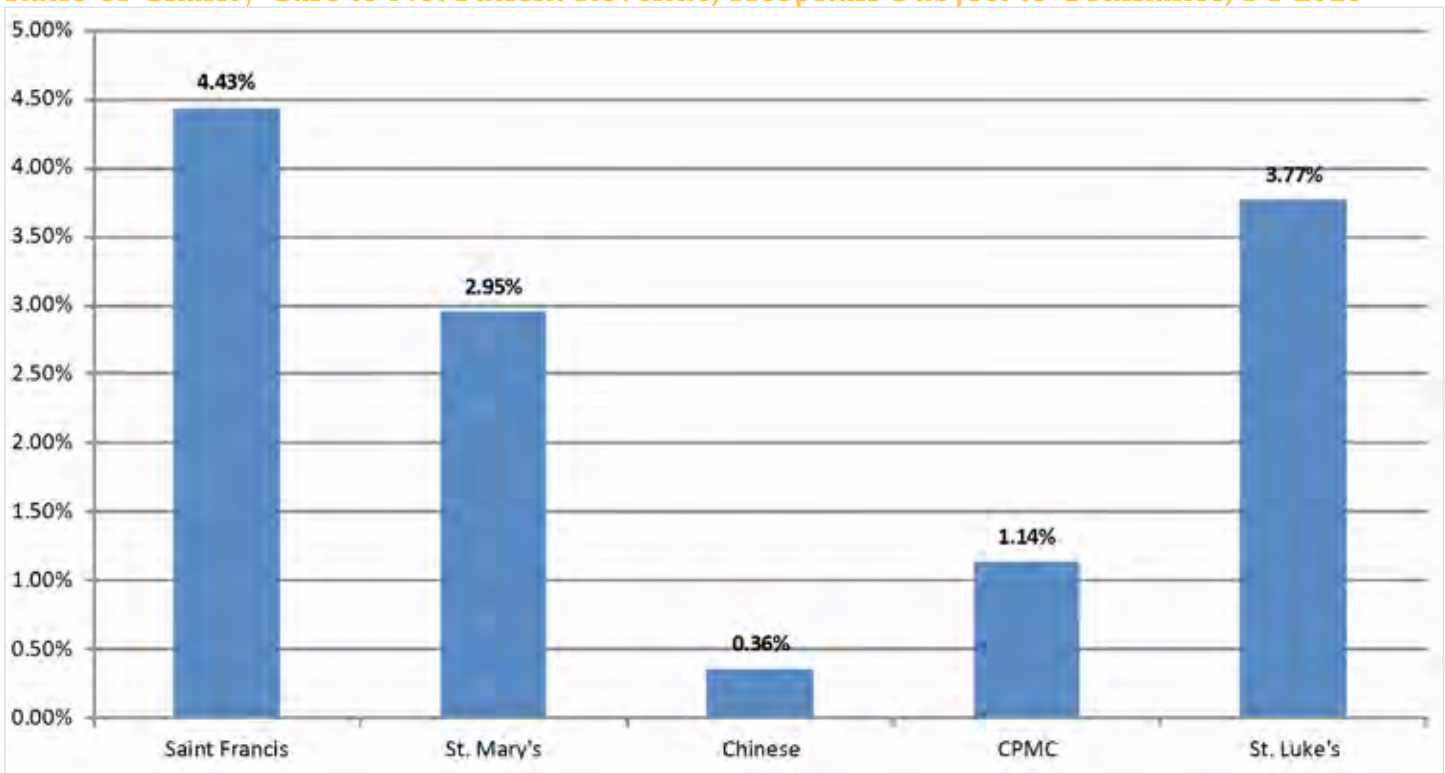
If St. Luke’s continues to serve the same number of charity care patients per staffed bed and staffs 100% of the licensed beds at its proposed facility, the reduction in staffed beds would lead to a decrease in the number of charity care patients served by over 1,000 patients annually.

Reviewing other data, Medi-Cal patients accounted for over 50% of the total patient days at St. Luke’s in 2010. If that rate were to be maintained at the proposed re-built St. Luke’s, and the rate of Medi-Cal patient utilization per staffed bed remained the same, there would be a decrease in Medi-Cal

patient days from 20,626 to an estimated 12,693.

Having a high percentage of Medi-Cal patients contributes to St. Luke’s annual financial losses. Yet when CPMC’s oldest campuses and St. Luke’s are considered as a single hospital, as they are organizationally, they are together the most profitable hospital in the City. Even with St. Luke’s operating loss, CPMC-St. Luke’s had an average net income of \$148.8 million between 2006 and 2010.

Ratio of Charity Care to Net Patient Revenue, Hospitals Subject to Ordinance, FY 2010





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California Pacific Medical Center as an Affiliate of Sutter Health

Sutter Health is a private, non-profit hospital conglomerate organized into five regions. California Pacific Medical Center, which operates the California, Pacific, Davies, and St. Luke's campuses (CPMC-St. Luke's) is part of Sutter Health West Bay. This regional corporation also includes Novato, Lakeside, and Santa Rosa Hospitals, and the Sutter Pacific Medical Foundation.

As a consolidated entity Sutter Health is consistently a highly profitable organization. In 2010, CPMC-St. Luke's accounted for 20.73% of Sutter's overall net income. On average between 2006 and 2010, Sutter Health posted an overall profit of \$597 million, and of that total CPMC-St. Luke's earned an average profit of nearly \$149 million.

In the past five years, Sutter Health, which oversees 21 hospitals statewide, has reported a combined net income of nearly \$3 billion. Of that total CPMC-St. Luke's accounted for \$744 million, almost 25% of Sutter Health's combined net income. This amount includes losses attributed to St. Luke's.

As a tax-exempt organization, Sutter Health does not distribute profits to shareholders. It does however generously compensate its top managers. In 2009, 14 Sutter employees received more than \$1,000,000 in compensation, and six executives received more than \$2,000,000.

California Pacific Medical Center's Profitability
CPMC-St. Luke's is the most profitable hospital in San Francisco. Its net income, the residual income of a business after adding total revenue and gains and subtracting

all expenses and losses for the reporting period, is consistently well beyond the combined total net income of other mandatory reporting San Francisco hospitals. The mandatory reporting hospitals are those hospitals required to report charity care data to San Francisco Department of Health. Even taking into account losses attributed to St. Luke's, CPMC-St. Luke's still earns an average net income almost 12 times greater than the combined average net income of the other mandatory reporting hospitals in San Francisco. To further illustrate CPMC-St. Luke's profitability, in 2010 CPMC-St. Luke's was responsible for roughly 67% of all mandatory reporting hospital patient discharges in the city. That same year CPMC-St. Luke's earned more than 83% of the total net income earned by all mandatory reporting hospitals.

In the past five years Sutter recorded a combined net income of nearly \$3 billion, CPMC accounted for almost 25% of that total, approximately \$744 million.

CPMC-St. Luke's also maintains the highest operating margin of any hospital in San Francisco. Operating margin is a measure of the proportion of a company's operating revenue that is left over after paying costs. CPMC-St. Luke's has sustained an average operating margin of over 13%.

CPMC-St. Luke's average operating margin is more than three times the average operating margin of St. Mary's. For the same period, Saint Francis operated at a loss. Chinese Hospital was also profitable, but it is a substantially smaller hospital with a very specific community-based mission.

Based on the assumption of CPMC-St. Luke's earning net income at the same rate of its past five-year average, and not adjusting for inflation, it will earn \$7.44 billion in tax-free profit over the next 50 years.

In addition to being highly profitable, CPMC-St. Luke's holds over \$590 million in total current assets, including unrestricted cash, securities, investments, and inventory.

This amount of current assets dwarfs the amount of assets held by the other mandatory reporting hospitals. The combined current assets of the other three mandatory reporting hospitals in San Francisco represent roughly 52% of CPMC-St. Luke's holdings.

Looking at the asset distribution among the various CPMC-St. Luke's campuses, an uneven pattern is apparent. The California, Pacific, and Davies campuses collectively have \$573.8 million in current assets, including unrestricted cash, securities, investments, and inventory. The St. Luke's campus has only \$17.7 million in assets. This inadequate distribution gives the impression that the St. Luke's campus is not financially sustainable because it cannot adequately cover its short-term liabilities. This impression does not hold up when St. Luke's is viewed as a sister campus within the CPMC system.

Tax Savings

Hospitals qualify as 501(c)(3) tax-exempt charities if they further a charitable purpose and do not operate on a proprietary basis. Such hospitals, like CPMC-St. Luke's, receive a number of tax exemptions, including corporate income tax savings, sales tax savings, and state and local property tax savings. In addition, such hospitals benefit from the issuance of tax-exempt bonds, which allow them to obtain funding for projects at considerably lower interest rates.

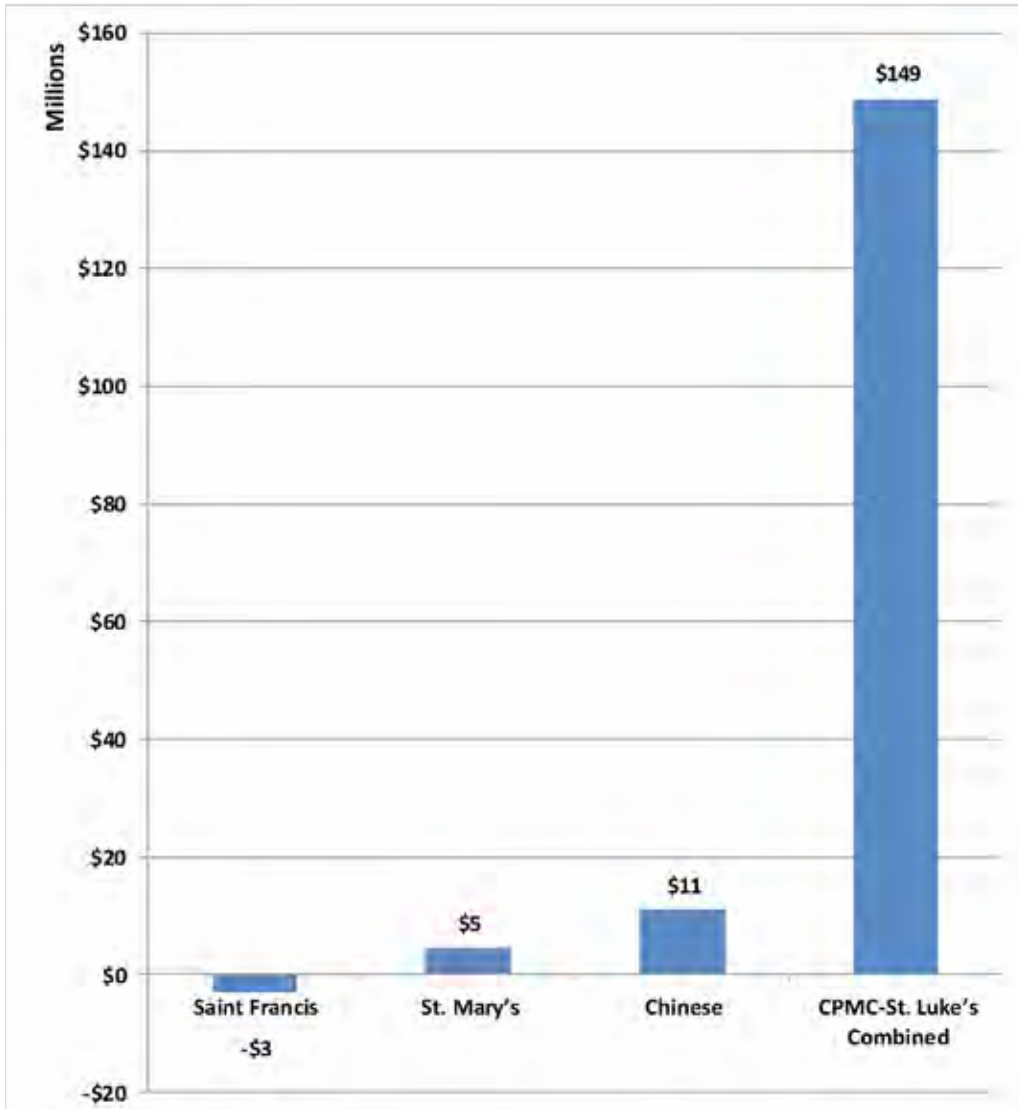
In recent years, questions have arisen as to whether hospitals should qualify as 501(c)(3) nonprofits, and if so, what additional charity care demands should be imposed. In line with this trend, the recently enacted federal Patient Protection and Affordable Care Act, imposes additional requirements on 501(c)(3) tax-exempt hospitals to assess community health needs and develop implementation strategies to address these needs.

SOURCE 6 U.S.C. § 501(c)(3) (2010); Erika Lunder & Edward Liu, 501(c)(3) Hospitals and the Community Benefit Standard, Congressional Research Services (Nov. 10, 2009), California Pacific Medical Center, <http://www.cpmc.org/about/> (last visited Oct. 10, 2011); Sutter Health, Audited Financial Statements FY 2006-2010, http://www.sutterhealth.org/about/financials/ab_financials.html (last visited Oct. 14, 2011); California Office of Statewide Health Planning and Development, Annual Financial Data, <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/PivotProfiles/default.asp> (last visited Oct. 14, 2011); Guide Star, Sutter Health 2009 IRS Form 990, <http://www2.guidestar.org/organizations/94-2788907/sutter-health.aspx> (last visited Oct. 14, 2011); Investopedia, <http://www.investopedia.com/terms/p/profitmargin.asp#axzz1ao4vn8WU> (last visited Oct. 14, 2011); Office of the Mayor, City and County of San Francisco, City Ask of CPMC (May 6, 2011) (on file with author); Dan Schreiber, Hospital, San Francisco still far apart on Cathedral Hill facility, S.F. Chron., July 7, 2011, <http://www.sfexaminer.com/local/2011/07/hospital-san-francisco-still-far-apart-cathedral-hill-facility>; 26 U.S.C. § 501(c)(3) (2010); Erika Lunder & Edward Liu, 501(c)(3) Hospitals and the Community Benefit Standard, Congressional Research Services (Nov. 10, 2009).

NET INCOME, AVERAGE FY 2006-2010

CPMC is by far the most profitable hospital in San Francisco. Even including losses at St. Luke's, CPMC-St. Luke's dramatically outperforms all other San Francisco hospitals.

Net Income, in Millions, Average FY 2006-2010



- CPMC-St. Luke's combined average profit from 2006-2010 was close to \$149 million, which is almost 12 times the combined total net income of all other mandatory reporting hospitals in San Francisco.

- In 2010, CPMC-St. Luke's combined profit was over \$181 million while the combined net income of all other San Francisco mandatory reporting hospitals was approximately \$22.3 million.

- CPMC -St. Luke's made approximately \$744 million in profits from 2006 to 2010.

NOTE Net income, or profit, is defined as total revenue and gains minus total expenses and losses.

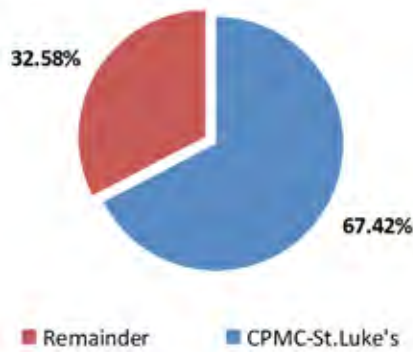
	2006	2007	2008	2009	2010	Average
Saint Francis	-\$1.9	\$1.2	-\$9.1	-\$10.7	\$5.6	-\$3.0
St. Mary's	\$4.0	\$4.1	\$3.6	-\$5.6	\$16.5	\$4.5
Chinese	\$8.9	\$10.6	\$11.0	\$9.3	\$15.0	\$11.0
CPMC	\$152.8	\$170.6	\$157.4	\$188.0	\$206.8	\$175.1
St. Luke's	-\$23.8	-\$23.7	-\$33.7	-\$25.6	-\$24.9	-\$26.3
CPMC-St. Luke's Combined	\$129.0	\$146.9	\$123.8	\$162.4	\$181.9	\$148.8
SFGHMC*	-\$60.4	-\$89.2	-\$91.4	-\$70.9	-\$100.2	-\$82.4
UCSFMC*	\$95.6	\$110.8	\$41.6	\$80.1	\$149.1	\$95.4

SOURCE California Office of Statewide Health Planning and Development, Annual Financial Data, <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/PivotProfiles/default.asp> (last visited Oct. 14, 2011).
*Facility not subject to San Francisco Charity Care Ordinance

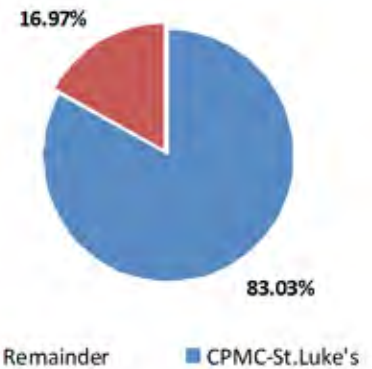
MARKET SHARE & PROFITABILITY, FY 2006-2010

- In 2010, CPMC-St. Luke's handled over two thirds of total patient discharges by mandatory reporting hospitals in San Francisco.
- While CPMC-St. Luke's handled 67% of the discharges among San Francisco mandatory reporting hospitals in 2010, it generated over 83% of the net income earned by these hospitals.

Discharges, Reporting Hospitals, FY 2010



Net Income, Reporting Hospitals, FY 2010

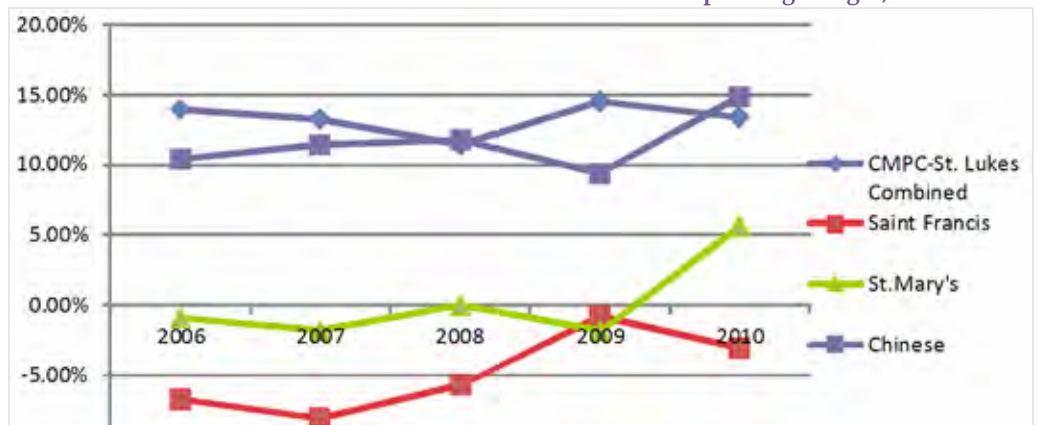


	Net Income	Discharges
Saint Francis	\$5,626,208	6308
St. Mary's	\$16,518,817	6958
Chinese	\$15,030,260	1942
CPMC	\$206,765,292	27186
St. Lukes	\$(24,908,306)	4288

SOURCE California Office of Statewide Health Planning and Development, Annual Financial Data, <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/PivotProfiles/default.asp> (last visited Oct. 14, 2011).

- From 2006-2010 CPMC-St. Luke's operated at the highest operating margin of any major hospital in San Francisco.
- From 2006-2010, the average operating margin for CPMC-St. Luke's was over 13%, notwithstanding reported hospital losses at St. Luke's

Operating Margin, FY 2006-2010



	2006	2007	2008	2009	2010	Average
Saint Francis	-6.69%	-8.08%	-5.68%	-0.81%	-3.07%	-4.87%
St. Mary's	-0.88%	-1.84%	0.00%	-1.78%	5.60%	0.22%
Chinese	10.44%	11.45%	11.81%	9.42%	14.90%	11.60%
CPMC	14.93%	14.37%	13.70%	15.44%	16.91%	15.07%
St. Luke's	-21.89%	-24.49%	-38.08%	-24.62%	-21.98%	-26.21%
CPMC-St. Luke's Combined	13.98%	13.24%	11.47%	14.49%	13.40%	13.31%
SFGHMC*	-15.18%	-19.91%	-18.57%	-17.13%	-19.50%	-18.06%
UCSFMC*	7.04%	7.35%	2.23%	5.67%	7.96%	6.05%

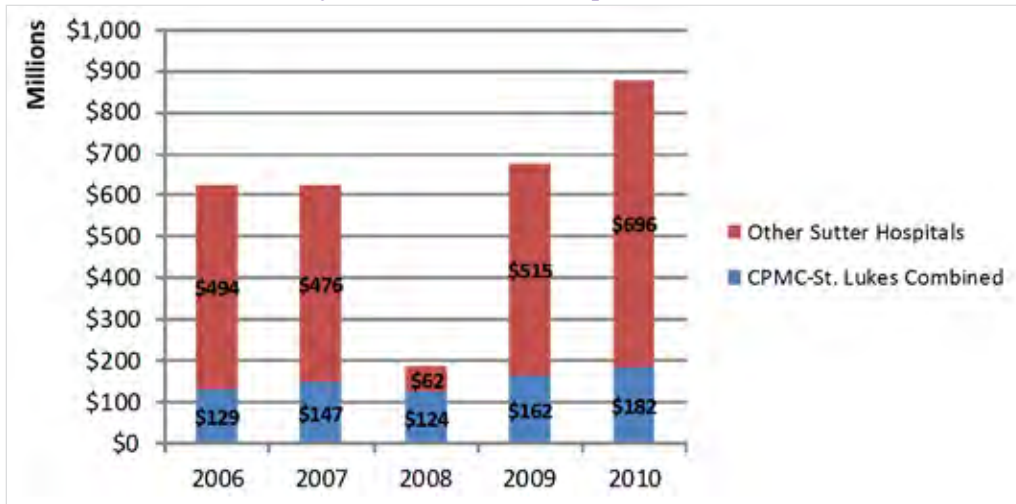
SOURCE California Office of Statewide Health Planning and Development, Annual Financial Data, <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/PivotProfiles/default.asp> (last visited Oct. 14, 2011).

*Facility not subject to San Francisco Charity Care Ordinance

NOTE Operating Margin is a measure of how much a company retains on each dollar of sales. Operating margin measures the proportion of a company's operating revenue that is left over after paying for costs.

SOURCE: <http://www.investopedia.com/terms/o/operatingmargin.asp#ixzz1agOKG21r>

CPMC-St. Luke's Profitability vs. Other 20 Sutter Hospitals, in Millions, FY 2006-2010



	2006	2007	2008	2009	2010	Average
Sutter	\$623	\$623	\$186	\$677	\$878	\$597
Other Sutter Hospitals	\$494	\$476	\$62	\$515	\$696	\$449
CPMC-St. Luke's Combined	\$129	\$147	\$124	\$162	\$182	\$149
% CPMC-St. Luke's	20.71%	23.6%	66.67%	23.92%	20.73%	24.96%

SOURCE California Office of Statewide Health Planning and Development, Annual Financial Data, <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/PivotProfiles/default.asp> (last visited Oct. 14, 2011).

Current Assets, in Millions, FY 2010



	2010
Saint Francis	\$134.5
St. Mary's	\$129.2
Chinese	\$43.0
CPMC	\$573.8
St. Luke's	\$17.7
CPMC-St. Luke's Combined	\$591.5
SFGHMC*	\$167.3
UCSFMC*	\$592.1

SOURCE California Office of Statewide Health Planning and Development, Annual Financial Data, <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/PivotProfiles/default.asp> (last visited Oct. 14, 2011).

*Facility not subject to San Francisco Charity Care Ordinance

- CPMC-St. Luke's is consistently Sutter's most profitable hospital group statewide.
- In 2010 Sutter Health earned profits of approximately \$878 million. Of that total, CPMC-St. Luke's accounted for 20.71%.
- Over the past five years CPMC-St. Luke's accounted for over 25% of Sutter's profit.

- Current assets, for purposes of the graph, represent the sum of current assets, investments and other assets, and limited use assets.
- In 2010 CPMC-St. Luke's held nearly twice the amount of total current assets than all other mandatory reporting San Francisco Hospitals.
- In 2010 CPMC-St. Luke's held assets worth over 4 times the second highest mandatory reporting hospital, St. Francis.

NOTE: Current assets include unrestricted cash, securities, investments, and inventory.



Syringe in R&D cross
Syringe x-change

SUSTAINED SOBRIETY MEANS A BETTER LIFE

COMMUNITY NOT CONTAINMENT

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The City and County of San Francisco has long recognized the importance of medical access for all residents. A key aspect of the provision of medical services to all is the availability of charity care. Charity care is defined as medical care given without the expectation of reimbursement. Many residents within San Francisco rely upon this option as a means to access the medical care they need.

In recognition of this important service, the City and County of San Francisco has taken several measures to ensure continual access. In 2001, the City and County of San Francisco began requiring charity care reporting from all private fee-for-service hospitals. This allowed the City to monitor the current level of charity care provided and evaluate the extent to which residents have access to health care. In 2004, the Board of Supervisors passed Resolution No. 328-04. This resolution specifically set out a charity care guideline for Sutter Health. It states “[t]hat the San Francisco Board of Supervisors calls upon Sutter Health and its affiliates to increase the delivery of charity care to at least 3 percent of Net Patient Revenues[.]”

Charity Care Reporting Ordinance: A Brief History

Under this ordinance, five out of the eight San Francisco hospitals are required to report the charity care they provided each year. These hospitals are: Saint Francis Memorial Hospital (Saint Francis, Catholic Healthcare West), St. Mary’s Medical Center (St. Mary’s, Catholic Healthcare West), Chinese Hospital, California Pacific Medical Center: Pacific, California, and Davies campuses (CPMC, Sutter Health), and California Pacific Medical Center: St. Luke’s Hospital campus (St. Luke’s, Sutter Health). In this section, CPMC refers to data reported collectively by Sutter Health’s California, Pacific and Davies campuses.

San Francisco General Hospital (SFGH) and University of California, San Francisco Medical Center (UCSF), as publicly supported hospitals, and Kaiser Permanente (Kaiser), as a hospital that does not provide a significant level of services on a fee-for-service basis and is a health maintenance organization, are excluded from the mandatory reporting requirements. These three hospitals, however, report available information voluntarily.

The Current Status of Charity Care In San Francisco

Currently, Saint Francis and St. Mary’s, both Catholic Healthcare West subsidiaries, outperform the other reporting hospitals with Saint Francis providing the most charity care out of any of the reporting hospitals.

Chinese Hospital, while it appears to be the lowest performing hospital, was created entirely for a charitable purpose. As a community-owned hospital located within San Francisco’s Chinatown, Chinese Hospital is specifically tailored to serve the San Francisco Chinese Community. While its hospital is small and its charity care numbers are low, the entire structure of its organization is centered around providing community clinics, low-cost insurance programs, and charity care.

In 2010, CPMC served 7,023 Non-HSF and HSF charity care patients and averaged 13.66 charity care patients per staffed bed. Comparatively, Saint Francis saw 4,619 Non-HSF and HSF charity care patients and averaged 30.79 charity care patients per staffed bed, and St. Mary’s saw 2,211 Non-HSF and HSF charity care patients and averaged 13.82 patients per staffed bed. As a share of net patient revenue, Saint Francis spent four times and St. Mary’s more than twice as much on charity care as CPMC.

If CPMC were to provide charity care to patients at a level equal to Saint Francis, they would be serving 8,803 more charity care patients each year than they currently are.

Healthy San Francisco

Healthy San Francisco (HSF), started in 2007, is not a traditional form of health insurance, but rather is a program implemented by the San Francisco Department of Public Health to help uninsured adults obtain medical care. Healthy San Francisco provides preventative care, specialty care, urgent and emergency care, mental health care, substance abuse services, laboratory, inpatient hospitalization, radiology, and pharmaceuticals.

Healthy San Francisco: The Current Status

It is estimated that there are 60,000 uninsured adult residents in San Francisco. During 2010, HSF had an enrollment of 53,428 uninsured adult San Francisco residents, representing 89% of the uninsured population.

Out of those 53,428 HSF participants, CPMC saw only 213 HSF patients last year. Comparatively, St. Mary's saw 1,293 HSF patients and Saint Francis saw 2,904 HSF patients last year. The CPMC campuses served less than 17% of the number of HSF patients served by St. Mary's and less than 8% of the number of HSF patients served by Saint Francis. CPMC currently has 514 staffed beds available at its California, Pacific, and Davies campuses, compared to St. Mary's with 160 staffed beds and Saint Francis with 150 staffed beds. If CPMC were providing care to HSF patients at a level equal to St. Mary's, it would be serving 4,153 HSF patients a year. And at the levels of Saint Francis, CPMC would be serving 9,951 HSF patients per year.

If the uninsured population growth predictions are accurate, San Francisco will see an increase in the number of uninsured adults. It is estimated that, despite the Patient Protection and Affordable Care Act, the uninsured adult population will grow to 68,400. There will not be a diminishment in the need for charity care, and HSF care specifically.

Additional Charitable Services

Every nonprofit hospital provides additional charitable services, beyond what is classified specifically as charity care. According to the 2010 San Francisco Charity Care Report, many of these additional services take the form of community clinics or hospital foundations. The target population for these services are low-income people.

Saint Francis primarily focuses its charitable activities within the Tenderloin because of its location next to the neighborhood. Within the Tenderloin, Saint Francis has partnered with Tenderloin primary care clinics including Glide Health Services. Saint Francis also provides the only emergency room burn center within the greater San Francisco area along with community outreach and burn education. Further, St. Francis makes available orthopedic, occupational medicine, and sports medicine services at clinics throughout the city.

St. Mary's sponsors and operates the Sister Mary Phillipa Health Center. This clinic serves over 3,500 patients annually and provides services in internal medicine and speciality care. St. Mary's was also one of the first hospitals to become affiliated with Healthy San Francisco.

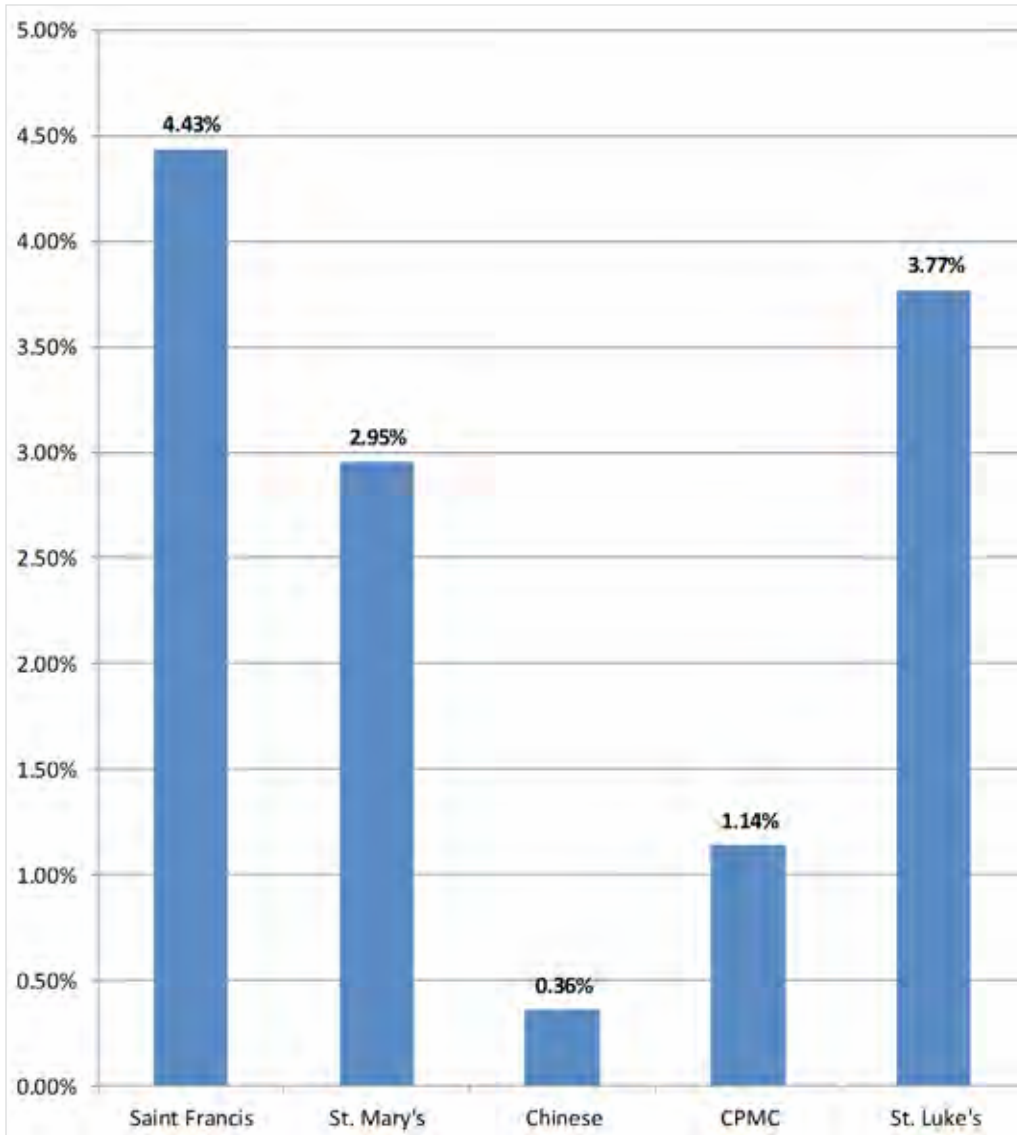
CPMC manages the Family Health Center and the Bayview Child Health Center. A majority of the patients utilizing these clinics are insured by Medi-Cal and therefore would not qualify for charity care services.

St. Luke's is a large, private "safety net" hospital serving under-insured residents of the southeastern neighborhoods. It also runs the St. Luke's Health Care Center. This clinic provides pediatric, adult, and women's services to over 14,000 patients. This is a crucial service for the southeastern neighborhoods, where St. Luke's is the only hospital besides SFGH.

SOURCE San Francisco Department of Public Health, Fiscal Year 2010 Charity Care Report 7, 12-13, 15, 22 (2011); Healthy San Francisco, http://www.healthysanfrancisco.org/about_us/history.aspx (last visited Aug. 28, 2011).

Resolution No. 328-04, passed by the San Francisco Board of Supervisors in 2004, states “[t]hat the San Francisco Board of Supervisors calls upon Sutter Health and its affiliates to increase the delivery of charity care to at least 3 percent of Net Patient Revenues[.]” In 2010, Saint Francis, St. Mary’s and St. Luke’s met or exceeded this expectation. CPMC’s Pacific, Davies and California campuses did not.

Ratio of Charity Care to Net Patient Revenue, Hospitals Subject to Ordinance, FY 2010



- In 2010 CPMC’s ratio of charity care to net patient revenue was 1.14%, less than half of the minimum expected level set by the Board of Supervisors.
- St. Luke’s ratio of charity care to net patient revenue is 3.77%. When combined with data from the other CPMC campuses, the charity care to net patient revenue for all of Sutter Health’s San Francisco campuses is 1.38%. This figure is significantly below the minimum level of charity care the San Francisco Board of Supervisors expects Sutter Health to provide.
- As a share of net patient income, CPMC spends 4 times less than St. Francis on charity care.

	Net Patient Revenue	Charity Care Costs	Ratio
Saint Francis	\$174,916,215	\$7,754,014	4.43%
St. Mary’s	\$208,121,366	\$6,143,529	2.95%
Chinese	\$96,161,704	\$345,351	0.36%
CPMC	\$1,088,744,773	\$12,403,052	1.14%
St. Luke’s	\$112,221,633	\$4,226,517	3.77%
SFGHMC*	\$510,791,479	\$129,834,981	25.42%
UCSFMC*	\$1,768,379,633	\$11,259,174	0.64%

SOURCE San Francisco Department of Public Health, Fiscal Year 2010 Charity Care Report 31 (2011).
*Facility not subject to San Francisco Charity Care Ordinance

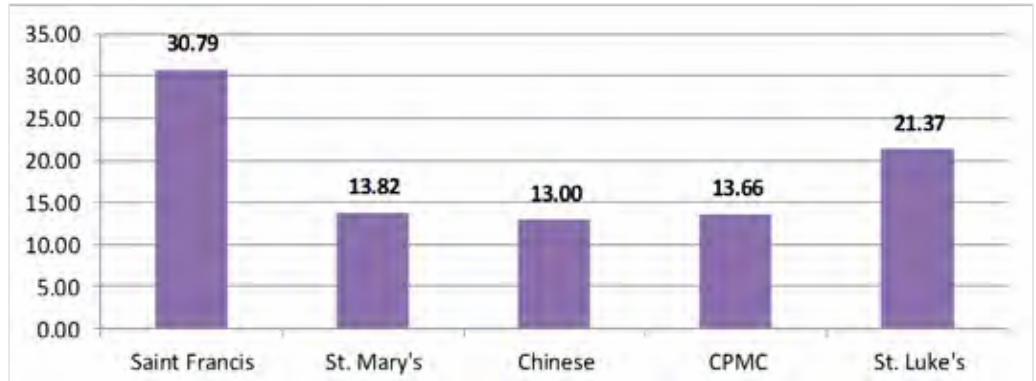
- Saint Francis, with only 150 staffed beds, sees approximately 31 charity care patients per bed each year. In contrast, CPMC, with 514 staffed beds, sees approximately 14 patients per bed each year.

- St. Luke's serves approximately 22 patients per staffed bed per year. CPMC's current proposal is to reduce the number of beds at St. Luke's to 80 licensed beds. If this occurs, it is expected that there will be a significant decline in the number of charity care patients seen by St. Luke's.

- Saint Francis' overall charity care expenditures per staffed bed are more than twice CPMC's.

- Saint Francis' HSF expenditures per staffed bed are more than seven times CPMC's.

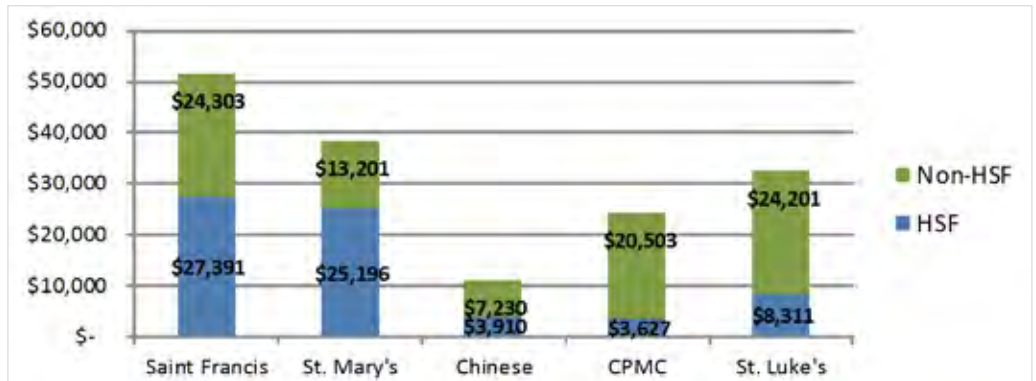
Charity Care Patients per Staffed Bed, Hospitals Subject to Ordinance, FY 2010



	Staffed Beds	Non-HSF Charity Care Patients	HSF Charity Care Patients	Total	Charity Care Patients Per Staffed Bed
Saint Francis	150	1715	2904	4619	30.79
St. Mary's	160	918	1293	2211	13.82
Chinese	31	310	93	403	13.00
CPMC	514	6810	213	7023	13.66
St. Luke's	130	2585	193	2778	21.37
KFH-SF*	247	267	2560	2827	11.45
SFGHMC*	463	50298	31907	82205	177.55
UCSFCM*	660	2402	55	2457	3.72

SOURCE San Francisco Department of Public Health, Fiscal Year 2010 Charity Care Report 12-18, 22 (2011).
*Facility not subject to San Francisco Charity Care Ordinance

Charity Care Expenditures per Staffed Bed, Hospitals Subject to Ordinance, FY 2010

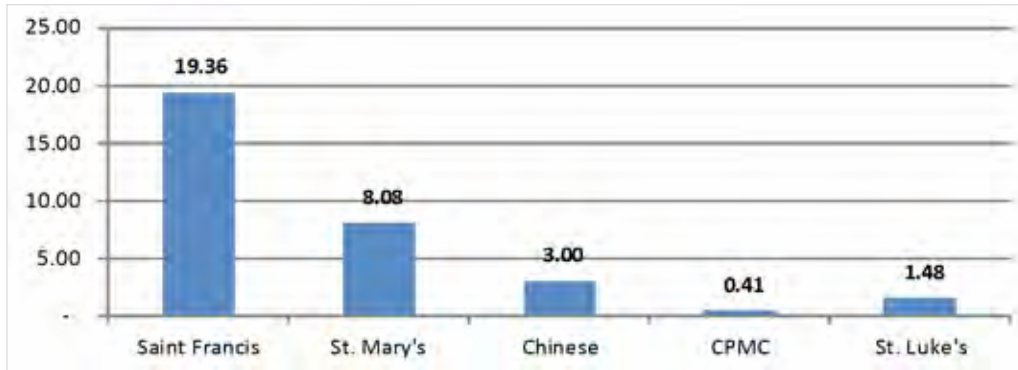


	Staffed Beds	HSF Expenditures	HSF Expenditures Per Bed	Non-HSF Expenditures	Non-HSF Expenditures Per Bed
Saint Francis	150	\$4,108,598	\$27,391	\$3,645,416	\$24,303
St. Mary's	160	\$4,031,298	\$25,196	\$2,112,231	\$13,201
Chinese	31	\$121,220	\$3,910	\$224,131	\$7,230
CPMC	514	\$1,864,439	\$3,627	\$10,538,613	\$20,503
St. Luke's	130	\$1,080,424	\$8,311	\$3,146,093	\$24,201
KFH-SF*	247	\$1,998,457	\$8,091	\$3,490,463	\$14,131
SFGHMC*	463	\$78,218,941	\$168,939	\$51,616,040	\$111,482
UCSFCM*	660	\$749,825	\$1,136	\$10,509,349	\$15,923

SOURCE San Francisco Department of Public Health, Fiscal Year 2010 Charity Care Report 12-18, 26 (2011).
*Facility not subject to San Francisco Charity Care Ordinance

Healthy San Francisco (HSF), started in 2007, provides medical care to the uninsured population of San Francisco. It is estimated that the uninsured population of San Francisco is 60,000. As of the end of the 2010-2011 fiscal year, Healthy San Francisco reported an enrollment of 53,428 uninsured residents, 89% of the estimated uninsured population in San Francisco.

HSF Charity Care Patients per Staffed Bed, FY 2010

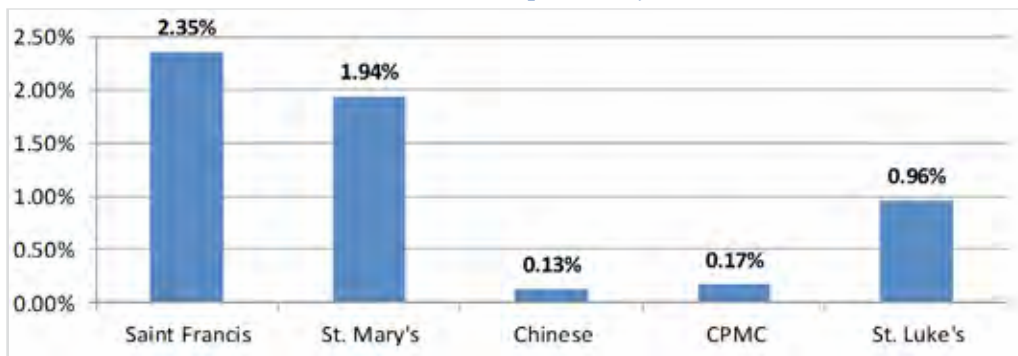


	Staffed Beds	HSF Charity Care Patients	HSF Charity Care Patients per Bed
Saint Francis	150	2904	19.36
St. Mary's	160	1293	8.08
Chinese	31	93	3.00
CPMC	514	213	0.41
St. Luke's	130	193	1.48
KFH-SF*	247	2560	10.36
SFGHMC*	463	31907	68.91
UCSFCM*	660	55	0.08

SOURCE San Francisco Department of Public Health, Fiscal Year 2010 Charity Care Report 12-18, 26 (2011).
*Facility not subject to San Francisco Charity Care Ordinance

- St. Francis sees 47 times as many HSF patients per staffed bed than CPMC and 13 times as many as St. Luke's.
- Despite having only 31 staffed beds, Chinese Hospital serves 7 times as many HSF patients per staffed bed than CPMC and twice as many as St. Luke's.

Ratio of HSF Costs to Net Patient Revenue, Hospitals Subject to Ordinance, FY 2010



	Net Patient Revenue**	HSF Charity Care Expenditures	Ratio
Saint Francis	\$174,916,215	\$4,108,598	2.35%
St. Mary's	\$208,121,366	\$4,031,298	1.94%
Chinese	\$96,161,704	\$121,220	0.13%
CPMC	\$1,088,744,773	\$1,864,439	0.17%
St. Luke's	\$112,221,633	\$1,080,424	0.96%
SFGHMC*	\$510,791,479	\$78,218,941	15.31%
UCSFCM*	\$1,768,379,633	\$749,825	0.04%

SOURCE San Francisco Department of Public Health, Fiscal Year 2010 Charity Care Report 12-18, 26 (2011).
*Facility not subject to San Francisco Charity Care Ordinance

- As a share of net patient income, Saint Francis spends 13.8 times as much as CPMC and 2.5 times as much as St. Luke's in providing HSF services.
- CPMC spends an insignificant amount on HSF costs, as compared to the amount of its net patient revenue.



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California Pacific Medical Center's St. Luke's Hospital campus (St. Luke's) is a community hospital, serving people in the Mission, Bernal Heights, Bayview-Hunter's Point, and Visitacion Valley neighborhoods. These neighborhoods are some of the most diverse and vibrant in the city, and range from Bayview-Hunter's Point, with the highest proportion of African Americans of any San Francisco neighborhood (City average 6%, Bayview-Hunter's Point 32%), to Visitacion Valley, with predominately Asian residents (55%), to the Mission, with 41% of the residents identifying as Latino.

All of St. Luke's surrounding neighborhoods, with the exception of Bernal Heights, have average household incomes that are below the San Francisco average of \$70,000 a year.

The proposed rebuilding and restructuring of St. Luke's could alter the manner in which St. Luke's serves San Francisco's southeastern neighborhoods and could have a substantial impact upon St. Luke's role in San Francisco's healthcare delivery system.

A Brief History of St. Luke's Hospital

In recent decades, St. Luke's has been the City's largest private "safety net" hospital serving low-income San Francisco residents. In 2001, Sutter Health took over ownership of St. Luke's, and in 2007, Sutter merged St. Luke's into its California Pacific Medical Center (CPMC) network, consolidated management, and began to move specialty services to CPMC's older, more profitable campuses.

Sutter Health had originally promised a "bigger and better" St. Luke's campus. CPMC management now plans instead to rebuild and downsize St. Luke's from its current 229 licensed beds, 130 of which are currently staffed, to 80 licensed beds. This is a drop in capacity of 149 licensed beds.

Sutter Health's Management of Similar Hospitals

Sutter Health, CPMC's corporate parent, has a history of

questionably managing hospitals which, like St. Luke's, have had significant percentages of Medi-Cal and charity care patients or were formerly community hospitals. CPMC management and Sutter Health have yet to agree to keep St. Luke's open for at least a 20-year time period as requested by city officials.

In 2010, the Marin Healthcare District sued Sutter Health for allegedly transferring \$120 million over four years from Marin General Hospital, a Sutter affiliate until 2010. The lawsuit alleges Sutter Health used the money to buy property in San Rafael to build a hospital that would compete directly with Marin General. Prior to 2006, the amounts transferred were less than \$3 million annually.

In 1996, Sutter Health signed a 20-year contract with Sonoma County to operate the county hospital. Sutter Health wanted to build a new hospital in Santa Rosa and attempted to breach its contract. After the County threatened to sue, Sutter Health agreed to maintain the hospital as an acute care facility, but it has proposed downsizing services and transferring profitable services elsewhere.

In Alameda County, the Eden Township Healthcare District is in litigation over Sutter Health's attempt to turn San Leandro Hospital into an eventually county-run acute care rehabilitation facility, not as it has been a full-service hospital with emergency room care.

The current downsizing of St. Luke's, along with the cutting back of specialty services, mirrors Sutter Health's behavior in other counties managing hospitals with significant percentages of Medi-Cal and charity care patients. These factors, combined with no commitment to maintaining St. Luke's for an extended period of time, place in serious doubt the long-term survival of St. Luke's even after being rebuilt.

Current State of St. Luke's

In 2010, St. Luke's provided 40,809 patient days of care, 62,560 outpatient visits, and 26,439 emergency services

visits. St. Luke's also operates the St. Luke's Health Care Center, which provides pediatric, adult, and women's services to over 14,000 patients (figures which are not considered a part of the charity care provided by the St. Luke's Hospital).

Emergency Services

In 2010, St. Luke's had 26,439 Emergency Room (ER) visits. This constituted 11.8% of all ER visits in San Francisco. SFGH had twice as many ER visits and diverted 1,800 ER patients to other city hospitals, with a significant number going to nearby St. Luke's.

Charity Care and Healthy San Francisco

In 2010, St. Luke's served 2,585 charity care patients and 193 Healthy San Francisco (HSF) participants, averaging about 21 charity care and HSF patients per staffed bed. St. Luke's Non-HSF and HSF charity care patients per staff bed ratio at 21.37% is 1 ½ times greater than the 13.66% ratio for the other three CPMC campuses combined.

Medi-Cal

As of July 2010, there were over 130,945 Medi-Cal beneficiaries, mainly low-income children, their parents, and adults with disabilities, within the City, just over 15% of the population. In 2010, St. Luke's provided 20,626 patient days of care, half of its total patient days, to Medi-Cal recipients. This is more than 4 times the rate of Medi-Cal service provided by CPMC's other campuses. St. Luke's percentage of Medi-Cal patient days, at just over 50%, is close to SFGH's 57% percentage of Med-Cal patient days.

Sustainability of St. Luke's Hospital

From 2006 to 2010, CPMC's oldest campuses reported a net income of over \$875 million. Those campuses hold over \$573 million in current assets and bring in almost 30% of Sutter Health's total annual profits. Even with St. Luke's financial losses, CPMC overall still earns an average net income 10 times greater than the combined average net income of the other primary fee for service hospitals in San

Francisco. In 2010, CPMC's net income, after subtracting St. Luke's losses, amounted to an estimated \$182 million. From 2006 to 2010, accounting for St. Luke's losses, CPMC made an average yearly net income of almost \$149 million.

Future Plans for St. Luke's

CPMC plans to rebuild St. Luke's concurrently with the development of its new Cathedral Hill campus. The current proposal is to eliminate 149 of the 229 licensed beds at St. Luke's and reduce staffed bed capacity from 130 to 80 beds.

If the percentage of Medi-Cal patient days and Medi-Cal staffed bed utilization remain the same at the proposed smaller St. Luke's, Medi-Cal patient days would decrease from 20,626 to 12,693. Additionally, based on the 2010 charity care patients per staffed bed ratio, the proposed reduction in size at St. Luke's would likely lead to a decrease of 1,068 charity care patients served.

CPMC views St. Luke's as a gateway hospital, which is a hospital with few if any specialty inpatient services. With a lack of specialty units and fewer beds, a rebuilt St. Luke's ability to fulfill its traditional role as a welcoming and accessible full-service hospital for low-income San Francisco residents will be much diminished.

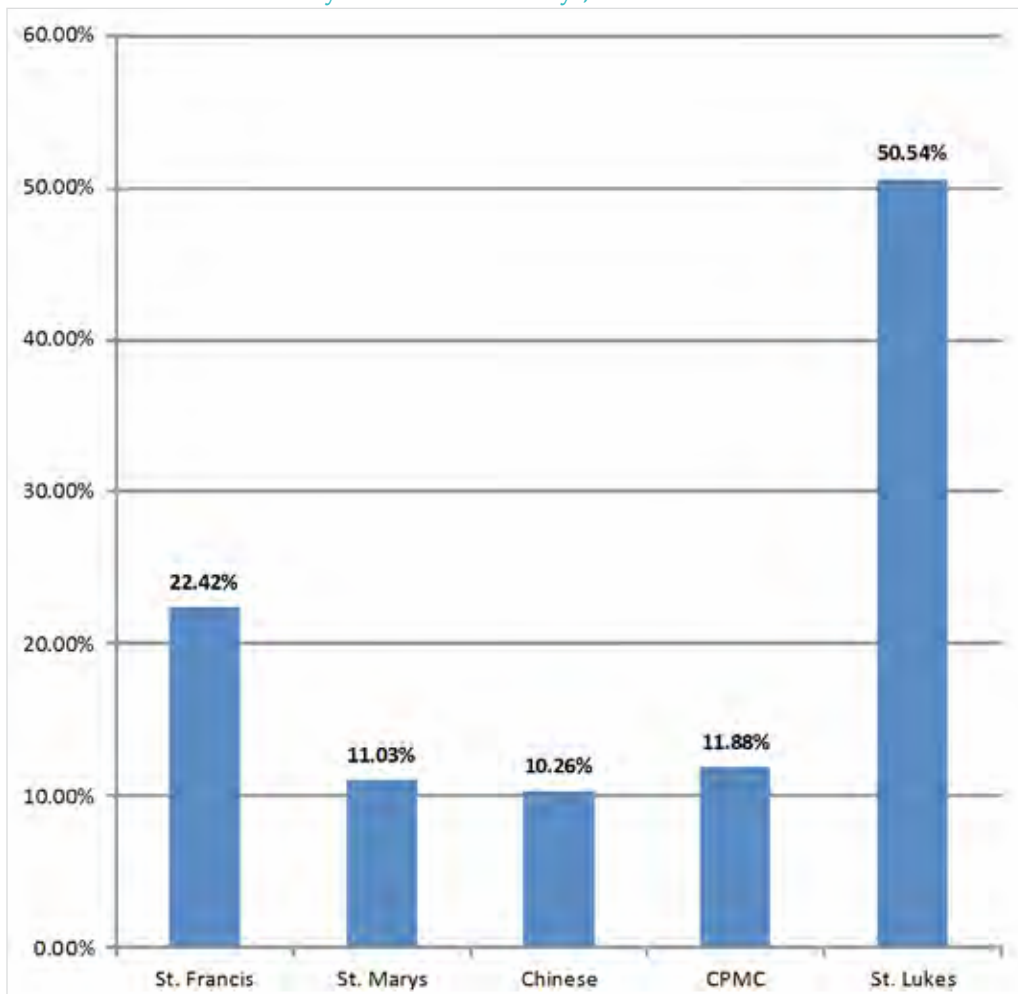
SOURCE San Francisco Department of Public Health, Fiscal Year 2010 Charity Care Report 14, 15 (2011); CPMC, Sutter Health, Marking Milestones in the History of Healthcare: Historical Timeline of California Pacific Medical Center, <http://www.cpmc.org/about/history/timeline.html> (last visited October 14, 2011); Martin, Mark and Victoria Colliver, Takeover of St. Luke's Hospital Approved/Attorney General OKs Sutter Health Merger, S.F. Chronicle, June 27, 2001, at http://articles.sfgate.com/2001-06-27/news/17605053_1_sutter-health-hospital-workers-hospitals-and-medical-groups (last visited October 14, 2011); California Office of Statewide Health Planning and Development, Annual Financial Data, <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/PivotProfiles/default.asp> (last visited Oct. 14, 2011); CPMC, California Pacific Medical Center Rebuild Plan, 12 (2011); State of California, Department of Health Care Services, Proportion of Population Enrolled by County, July 2010. Report Date: July 2011; Dan Verel, Marin Healthcare District sues Sutter over \$120 million in transfers, North Bay Business Journal (August 26, 2010), <http://www.northbaybusinessjournal.com/24273/marin-healthcare-district-sues-sutter-over-120-million-in-transfers/>; David Mills, San Leandro Joins Lawsuit Against Sutter Health, San Lorenzo Patch (August 9, 2011), <http://sanlorenzo.patch.com/articles/san-leandro-joins-lawsuit-against-sutter-health>; Re: Sutter Health Misconduct [letter to Attorney General from 13 California legislators], (August 26, 2009), <http://docs.google.com/a/eastbaycitizen.com/fileview?id=0B0TnSj0C002DNWE3ZDM3NjctNTkxOS00NWm4LWESNzEtYjhhMGJmMl3OWY4&hl=en>; Lois Pearlman, Sutter Hospital faces lawsuits in Marin and Sonoma counties (November 17, 2010), <http://www.bohemian.com/bohemian/11.17.10/news-1046.html>; State of California, Department of Health Care Services, Medi-Cal Beneficiary County Pivot Table - Most Recent 24 Months, http://ww2.dhcs.ca.gov/dataandstats/statistics/Pages/RASS_Medi-CalBeneficiaries-SummaryPivotTableMostRecent24Months.aspx (last visited Oct. 29, 2011).

RATIO OF MEDICAL PATIENT DAYS TO TOTAL

ST. LUKE'S

Hospitals receive reimbursements for serving Medi-Cal patients, but generally at a loss to the hospital. Currently San Francisco's five mandatory reporting hospitals serve more than 10,000 Medi-Cal patients a year. Specifically, St. Luke's serves a higher percentage of Medi-Cal beneficiaries, as part of its overall patient days served, than any other hospital in San Francisco. CPMC's three other campuses (Davies, Pacific, and California) by comparison serve a low percentage of Medi-Cal beneficiaries as part of their patient mix.

Ratio of Medi-Cal Patient Days to Total Patient Days, FY 2010



- Half of St. Luke's patient days were utilized by Medi-Cal recipients in 2010. None of the other mandatory reporting hospitals provided such a high percentage of their care to Medi-Cal recipients.
- In comparison, at the other CPMC campuses (California, Pacific, and Davies combined), barely 12% of their patient days were utilized by Medi-Cal recipients.
- SFGH, an overburdened public hospital, is the only other hospital in San Francisco where there is such a high percentage of patient days utilized by Medi-Cal patients.

NOTE: Patient (census) days are measured as the number of census days that all formally admitted inpatients spent in the hospital during the reporting period. This includes the day of admission but not the day of discharge. If both admission and discharge occur on the same day, one patient is counted.

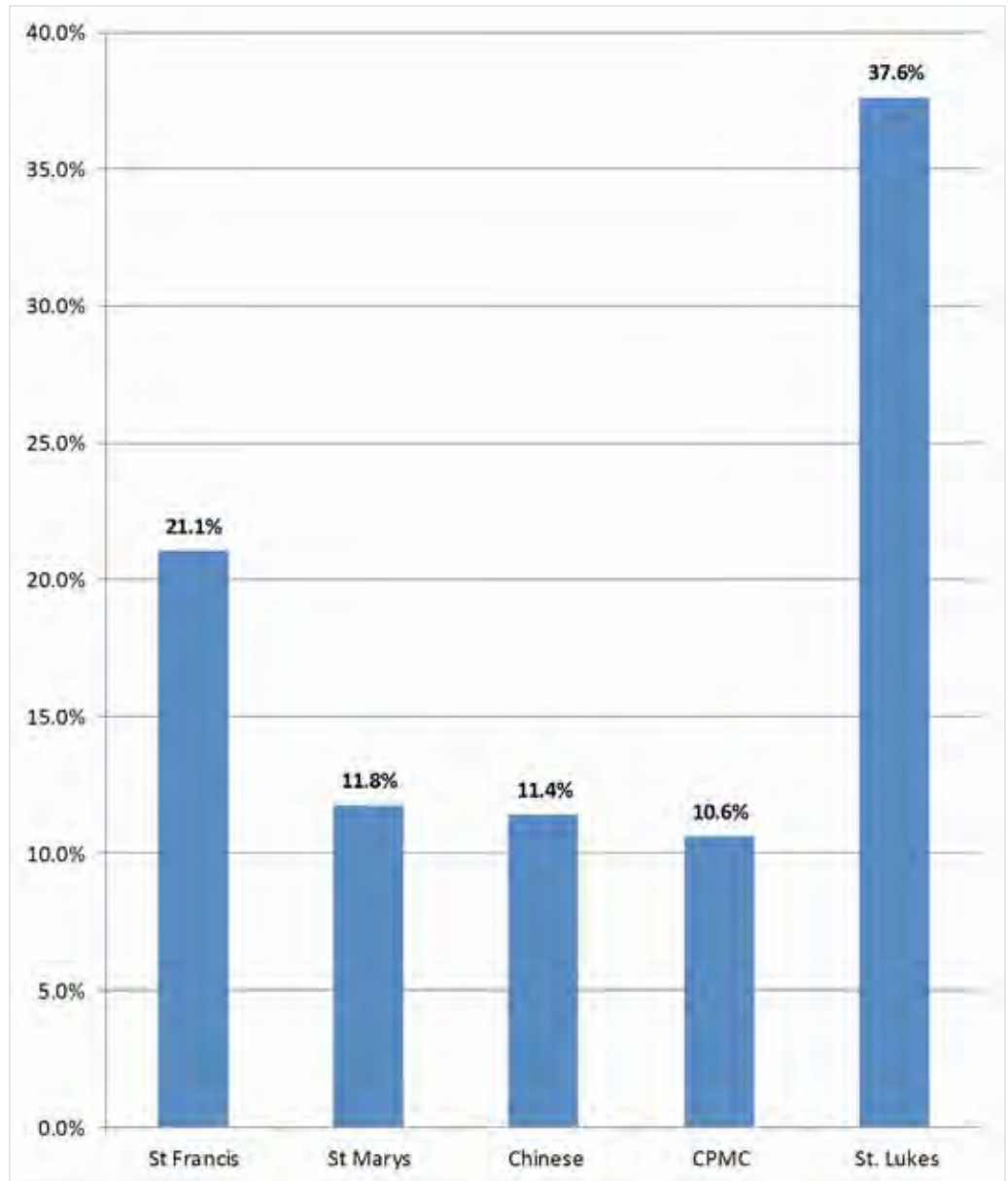
	Medi-Cal Patient Days			Total Patient Days	Ratio
	Traditional	Managed	Total Medi-Cal		
Saint Francis	7580	986	8566	38209	22.42%
St. Mary's	4143	612	4755	43119	11.03%
Chinese	1014	120	1134	11056	10.26%
CPMC	15368	4552	19920	167705	11.88%
St. Luke's	18684	1942	20626	40809	50.54%
SFGHMC*	78086	4976	83062	145850	56.95%
UCSFMC*	42885	7882	50767	181423	27.98%

SOURCE California Office of Statewide Health Planning and Development, Hospital Utilization Data, http://www.oshpd.ca.gov/hid/Products/Hospitals/Utilization/Hospital_Utilization.html (last visited Oct. 23, 2011).

*Facility not subject to San Francisco Charity Care Ordinance

Ratio of Medi-Cal Discharges to Total Discharges, FY 2010

- Almost 40% of St. Luke's total patient discharges are Medi-Cal recipients.
- Only 10% of the combined discharges at CPMC's California, Pacific, and Davies campuses were Medi-Cal patients.
- Only SFGH has a higher percentage of inpatient Medi-Cal discharges than St. Luke's.



	Medi-Cal Discharges	Total Discharges	Ratio
Saint Francis	1328	6308	21.1%
St. Mary's	819	6958	11.8%
Chinese	222	1942	11.4%
CPMC	2894	27186	10.6%
St. Luke's	1614	4288	37.6%
SFGHMC*	9230	15625	59.1%
UCSFMC*	6596	29244	22.6%

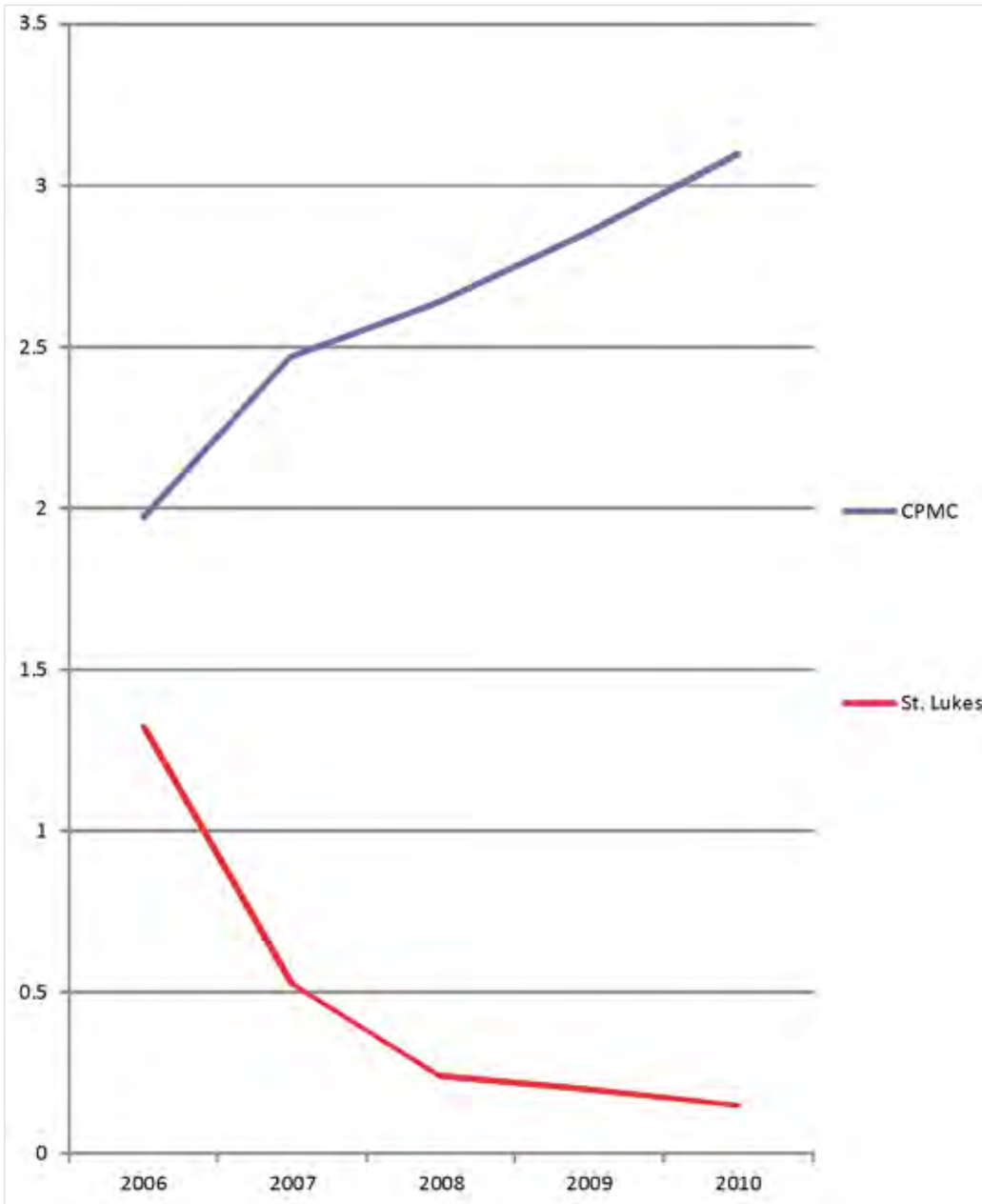
SOURCE California Office of Statewide Health Planning and Development, Hospital Utilization Data, http://www.oshpd.ca.gov/hid/Products/Hospitals/Utilization/Hospital_Utilization.html (last visited Oct. 23, 2011).

*Facility not subject to San Francisco Charity Care Ordinance

CURRENT RATIO, FY 2006-2010

ST. LUKE'S

Current Ratio of Assets to Liabilities, FY 2006-2010



- Since 2006, St. Luke's current ratio has fallen almost 9 fold while the current ratio for CPMC's other campuses has risen by over 150%. Looking at the asset and liability trend over five years, St. Luke's current ratio decreases rapidly as CPMC's other campuses see an identical rise in current ratio.

- There is a striking depletion of assets held at St. Lukes, which is similar to what has happened at community-oriented and low-income serving hospitals acquired and managed by Sutter Health in other counties. The management of those hospitals has been the focus of challenging local government oversight and contentious litigation.

NOTE: Current Ratio is measured by current assets over current liabilities and indicates a company's liquidity and ability to cover short-term obligations.

SOURCE: <http://www.investopedia.com/terms/c/currentratio.asp#ixzz1agPJT5LN>

	2006	2007	2008	2009	2010
St. Francis	0.83	1.16	1.84	1.54	1.3
St. Mary's	2.18	2.16	2.44	2.23	2.21
Chinese	1.74	1.08	0.82	1.11	0.67
CPMC	1.97	2.47	2.64	2.86	3.1
St. Lukes	1.32	0.53	0.24	0.2	0.15
SFGHMC*	1.45	1.76	2.06	1.77	2.04
UCSFMC*	2.17	2.45	2.33	2.25	2.44

SOURCE California Office of Statewide Health Planning and Development, Annual Financial Data, <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/PivotProfles/default.asp> (last visited Oct. 14, 2011).
*Facility not subject to San Francisco Charity Care Ordinance



Charity Care: The provision of free or discounted health services, pharmacy, or medical equipment to persons who cannot afford to pay, who meet the organization's financial assistance criteria and are deemed unable to pay for all or a portion of service.

Gross Patient Revenue: Inpatient and outpatient revenue from services to patients, including payments received from or on behalf of individual patients.

Licensed Beds: The maximum number of beds for which a hospital holds a license to operate. Many hospitals do not operate all of the beds for which they are licensed.

Net Income: The amount of income from operations plus non-operating revenue net of operating and non-operating expenses less provision for income taxes, and extraordinary items

Net Patient Revenue: The amount received or expected to be received from third-party payers and patients for hospital services provided. Net patient revenue includes the payments received for routine nursing care, emergency services, surgery services, lab tests, etc. less deductions for contractual adjustments, bad debts, and charity.

Non-Operating Revenue: The amount received from non-patients that is not related to hospital care. Examples of non-operating revenue include investment income, unrestricted contributions, medical office building revenue, gift shop revenue, and governmental appropriations (public hospitals only). Non-operating expenses include the costs incurred related to producing non-operating revenue, such items as medical office building expenses, gift shop expenses, and loss on sale of hospital property.

Operating Margin: The operating margin is the most commonly used financial ratio to measure a hospital's financial performance. It compares a hospital's total

operating revenue against its total operating expenses, often referred to as net from operations. If total operating revenue exceeds total operating expenses, the hospital is operating at a profit and will have a positive operating margin; whereas, if total operating revenue is less than total operating expenses, the hospital is operating at a loss and will have in a negative operating margin.

Operating Margin Formula: $(\text{Total Operating Revenue} - \text{Total Operating Expenses}) / \text{Total Operating Revenue}$

Other Operating Revenue: The amount received from non-patients for services related to hospital operations. This includes items such as cafeteria sales, refunds on purchases, vending machine commissions, parking lot revenue, etc.

Patient Days: The number of days that inpatients (excluding newborns in the nursery) are hospitalized. The day of admission, but not the day of discharge, is counted as a patient day. If both admission and discharge occur the same day, the day is counted as one patient day.

Safety Net: Refers to a system of nonprofit organizations and/or government agencies that provide direct medical care services for the vulnerable, low income, and uninsured in a community setting such as public hospital, community health clinic, church, homeless shelter, mobile health unit school, etc.

Staffed Beds: Beds that are licensed and physically available for which staff is on hand to attend to the patient who occupies the bed. Staffed beds include those that are occupied and those that are vacant.

Total Margin: The ratio of a hospital's net income against its total revenue. Whereas the operating margin looks only at revenue derived from operations, total margin includes all other sources of revenue and expenses that are not related to operations.

Total Margin Formula: Net Income / Total Revenue.

Total Operating Expenses: This includes all expenses associated with operating the hospital, such as salaries, employee benefits, purchased services, supplies, professional fees, depreciation, rentals, interest, and insurance. It does not include bad debts or income taxes.

Total Operating Revenue: This is the sum of net patient revenue and other operating revenue.

Uninsured: An individual who does not have any health care insurance or any financial assistance (federal or state) in paying their financial obligation for services rendered.

Vacant/Available Beds: Beds that are vacant and to which patients can be transported immediately. These must include supporting space, equipment, medical material, ancillary and support services, and staff to operate under normal circumstances. These beds are licensed, physically available, and have staff on hand to attend to the patient who occupies the bed.

Vulnerable Populations: A demographic group whose health and well being are considered to be more at-risk than the general population due to socioeconomic status, illness, ethnicity, age, or other disabling factors.

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