

Memorandum

Date: February 29, 2024

To: Laurie Green, MD, President, San Francisco Health Commission and Members of the Health Commission

From: Shelby Decosta, President, UCSF Health Affiliates Network

Re: Responses to questions following February 20 Prop Q Hearing re UCSF Health Acquisition of Dignity Hospitals and Associated Clinics

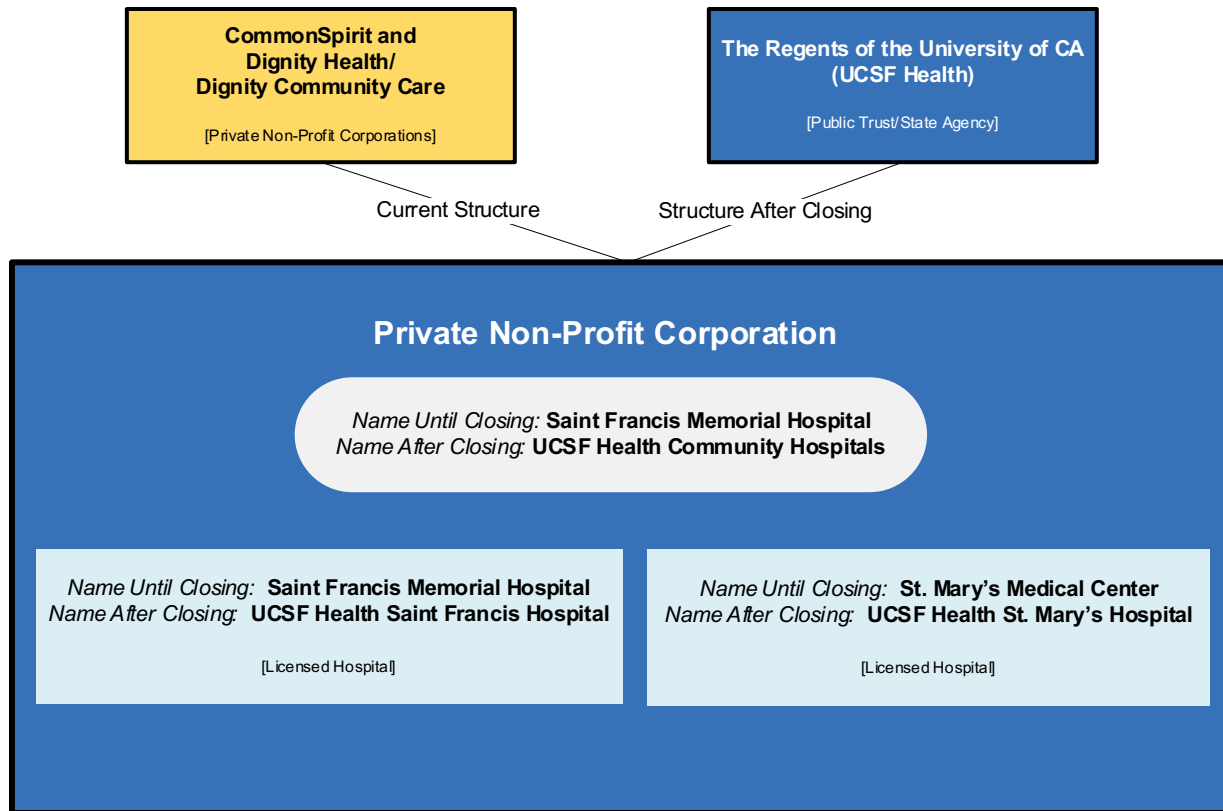
At the request of Health Commission staff, following is (i) an overview of changes planned to the corporate structure for Saint Francis Memorial Hospital and St. Mary's Medical Center as part of their acquisition by UCSF Health; and (ii) a discussion of UCSF Health's commitment to maintaining Medi-Cal coverage for Saint Francis and St. Mary's patients, including for behavioral health services. UCSF Health would be pleased to respond to any additional questions or concerns on these or other topics.

Transaction Structure

With this transaction, UCSF Health is moving beyond the complex specialty care it is known for and making a shift toward an integrated, full-service health system that includes convenient and comprehensive community-based care, enabling patients to access the right care in the right place at the right time. UCSF Health is committed to maintaining Saint Francis Memorial Hospital and St. Mary's Medical Center as community facilities with an open medical staff – ensuring patients have convenient local access to address their primary and specialty care needs. Preserving these historic hospitals in the community model will keep patients connected to their longtime care providers and maintain vital services at a time when communities are losing health care options.

As community hospitals, Saint Francis and St. Mary's have dedicated infrastructure and configuration of services that are different from those at UCSF Health. UCSF Health will replace Dignity Health as the sole member of what will become known as "UCSF Health Community Hospitals" -- a private non-profit corporation that will own the two hospitals and which will become part of the UCSF Health Affiliates Network (which is a set of partnership arrangements between UCSF Health and other regional medical groups and facilities). This structure will make it easier to facilitate a seamless transition of the existing infrastructure and operations of the hospitals – including maintaining existing licenses and contracts, and minimizing disruptions for patients, providers and team members.

The following diagram illustrates the corporate structure for Saint Francis and St. Mary's both before and after the acquisition:



Under this structure, the workforce at Saint Francis and St. Mary's will be maintained; staff will be employed by UCSF Health Community Hospitals; and the hospitals will comply with all applicable collective bargaining agreements both before and after the transaction closes. Wages of Dignity employees will be maintained, and we are working to transition all employees' current benefits into comparable plans to ensure continuity of coverage.

Post-closing, each community hospital will remain separately licensed and will not be consolidated onto the UCSF Medical Center license. As separately licensed facilities, the two hospitals will maintain their own payor contracts and facility participation agreements in government programs (including Medi-Cal). Given the reporting requirements associated with participation in these government programs, we anticipate being able to report facility level data. However, the two community hospitals may, at some point, be combined under a single license. In this event, there may not be separate reports for each hospital, but the two community hospitals' data will remain separate from UCSF Medical Center.

UCSF Health's Commitment to Medi-Cal / Maintaining Behavioral Health Services at Saint Francis and St. Mary's

This transaction will help UCSF Health meet the needs of more underserved members of our community. Dignity Health is currently the largest provider of Medi-Cal services in California. UCSF Health sees almost as many Medi-Cal inpatients as ZSFGH and more than any other health system in San Francisco. As we transition ownership of the Dignity facilities, UCSF Health Community Hospitals will continue to honor our shared commitment to improving the health of vulnerable populations, regardless of their ability to pay.

UCSF Health Community Hospitals will contract separately from UCSF Health and will seek to maintain all payor contracts the hospitals have today. St. Mary's and Saint Francis will maintain their existing enrollments in the Medicare and Medi-Cal programs and will be operated as separately licensed general acute care facilities. We are working with all relevant third-party payors and regulatory agencies to ensure continuity of the existing programs offered at these facilities.

Regarding Medi-Cal, UCSF Health Community Hospitals will ensure that following the closing of the proposed transaction, both Saint Francis and St. Mary's and their associated outpatient clinics: (1) continue to participate in the Medi-Cal program as participating facilities; (2) honor existing Medi-Cal managed care and other contracts that cover the provision of services to Medi-Cal beneficiaries; and (3) maintain inpatient psychiatric and other behavioral health services for Medi-Cal beneficiaries.

- The actual process for assuming the Medi-Cal provider agreements for the two facilities will not be complete until after the closing of the proposed transaction, but there will be no interruption of services for Medi-Cal patients seeking care at the two hospitals or their associated outpatient clinics while that process is in progress.
- UCSF Health is actively working to ensure that UCSF Health Community Hospitals will assume or maintain the Medi-Cal contracts currently in place at the hospitals and has started the process by providing official notice to the relevant third parties.
 - The parties have been asked to agree to honor all existing agreements applicable to these facilities on the same terms in order to maintain the services that are provided today.
 - As part of this process, St. Mary's is seeking to maintain its existing contract with the City and County of San Francisco for outpatient behavioral health services.
- The specific terms and conditions of those contracts as they exist post-closing will depend in part on the result of discussions with the relevant third-party payors, but UCSF Health is committed to honoring the current terms.