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May 20, 2013

VIA E-MAIL

Mr. Scott Foster  
District Administrator  
Coast Life Support District  
PO Box 1056  
Gualala, CA 95445

Dear Mr. Foster:

The Camden Group is pleased to submit this revised proposal to assist Coast Life Support District ("CLSD" or the "District") in the development of its business plan for a financially sustainable healthcare model. This proposal reflects a revision of our March 20, 2013 proposal based on a letter and a conversation with Mr. George Provencher, and a subsequent conversation between you, David Rice, and Tom Toedter on May 16, 2013. The business plan will detail the three-way partnership between the District, Redwood Coast Medical Services, and a third potential partner, and will be completed in two phases. For your convenience, the document describes our understanding of your objectives, outlines our work plan, highlights the experiences of our firm, identifies the engagement team, and specifies the associated timing and professional fees.

The Camden Group is uniquely qualified to assist CLSD with the development of its business plan. Based on our understanding of your needs, we are a strong fit to be your partner and advisor in this process for the following reasons:

- **Our firm has extensive experience in market analysis and financial feasibility engagements.** Our capabilities are evidenced by the fact that The Camden Group is approved by the U.S. Department of Housing and Urban Development to perform feasibility studies for hospitals seeking loans insured by Section 242 Mortgage Insurance program of the National Housing Act. Our experience with articulating and

evaluating plans for new healthcare facilities not only spans decades, but also multiple geographic markets across the country. This background gives us an objective perspective on strategies that have been successful as well as those that have not achieved desired outcomes. One of our studies, Lompoc Valley Medical Center, a District hospital, recently issued bonds in March 2013, insured by Cal-Mortgage.

- **Based locally and well-versed in the California marketplace and regulatory climate.** California's unique blend of managed care penetration, regulatory environment, and the characteristics of local markets requires specific approaches that may not be found in markets in other parts of the country. We have been providing business advisory services to healthcare districts, physicians, and hospitals in California for 40 years and are extremely familiar with the competitive climate and regulatory environment that exists here.
- We have worked with Adventist Health and Mendocino Coast District Hospital, a critical access hospital, to determine opportunities to partner in the delivery of healthcare services to the community, and are **familiar with the unique needs of the coastal communities and healthcare providers in geographically isolated communities.**
- **Our staff is experienced and familiar with the needs of Healthcare Districts in California.** The Camden Group has worked with numerous Healthcare Districts and District hospitals, and has insight into strategic and financial challenges and opportunities that Healthcare Districts face.
- **Thought leadership on future trends** in healthcare and their implications as evidenced by our extensive publishing and speaking on behalf of The Governance Institute, American College of Healthcare Executives, Society for Healthcare Strategy and Market Development, Healthcare Financial Management Association, VHA, Medical Group Management Association, state hospital associations, the Radiology Society of North America, Association of Community Cancer Centers, and other professional organizations. **We devote significant resources to monitoring and interpreting the implications of trends, including healthcare reform, medical technology, clinical practice, payer initiatives, and legislative and regulatory change. We utilize multiple resources to determine the impact of trends and the implications to your market.**
- **Extensive expertise in analyzing the financial risks and opportunities associated with business affiliations and partnerships.** We have worked on alliances, mergers, acquisitions, affiliations, joint ventures, joint operating agreements, management services arrangements, and other partnerships. Our transaction/affiliation experience includes

healthcare systems, hospitals, medical groups, payers, ambulatory services, and others, with for-profit, not-for-profit, and public entities of all sizes and types.

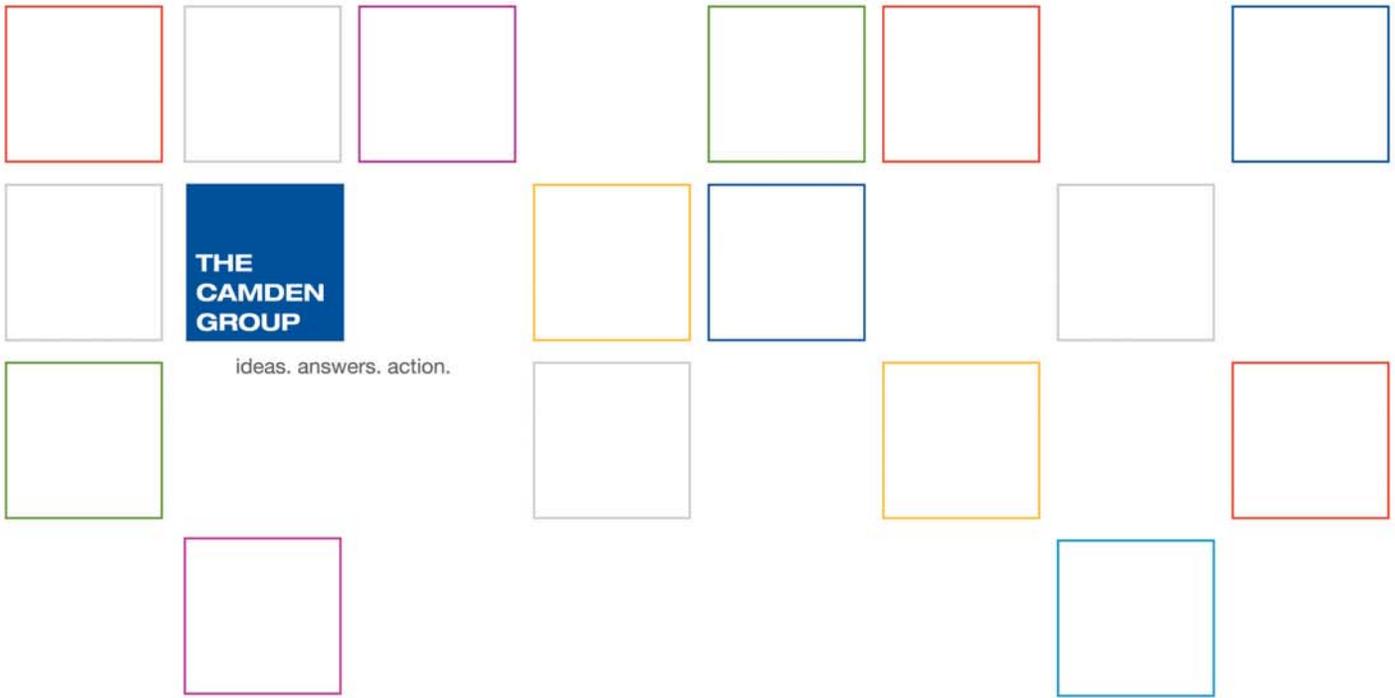
- **Expertise in determining community need for physician specialties and alignment models.** We have completed more than 100 community needs studies in the last three years and have a track record of success in helping hospitals establish recruitment plans that are consistent with regulatory requirements. We have been on the front line of developing and implementing many alignment models including: medical foundations, outpatient clinics (e.g., district clinics, hospital-based clinics), rural health clinics, FQHCs, Management Services Organizations (“MSO”), Accountable Care Organizations (“ACO”), joint ventures, and co-management structures across the country. This is important because physician alignment strategies serve as a critical success factor for a successful hospital.

We appreciate the opportunity to submit this proposal and look forward to serving CLSD. In the event that you have questions or comments, please contact Ms. Barbra Riegel at 310.320.3990, extension 3954.

Sincerely,



THE CAMDEN GROUP



# Proposal to Create a Business Plan for a Financially Sustainable Healthcare Model to Serve the Community

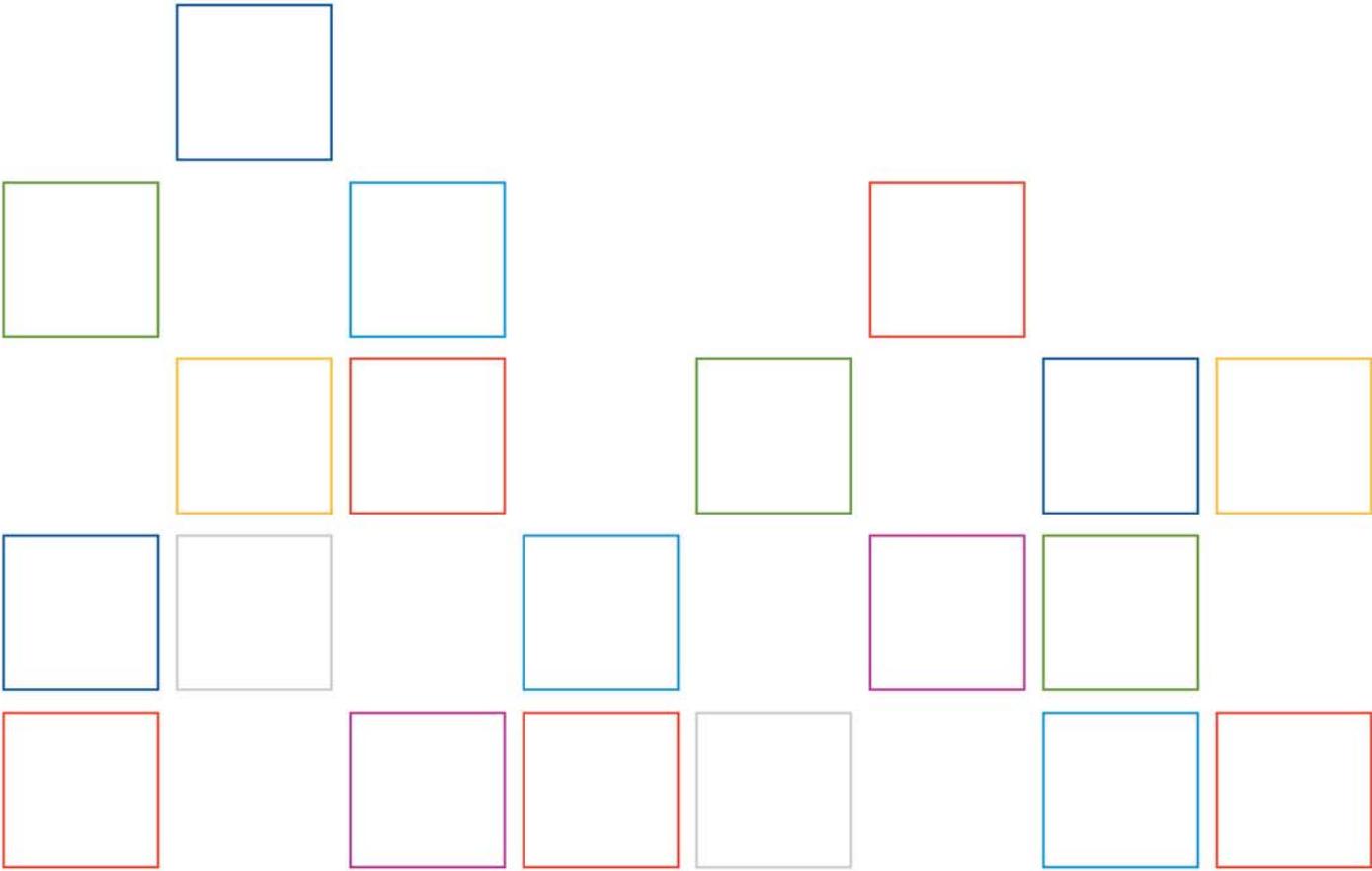
Coast Life Support District  
Gualala, California  
May 20, 2013



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# I. Background



# I. Background

Coast Life Support District (“CLSD” or the “District”) has requested the support of a consulting firm to help create a detailed business plan for a financially sustainable healthcare model that will effectively service the residents in its community. We understand that the primary purpose of the District is to provide emergency ambulance services to the residents of the southern Mendocino County/northern Sonoma County coastal area.

Redwood Coast Medical Services (“RCMS”), a Federally Qualified Health Center (“FQHC”), provides the majority of the local healthcare in the coastal area. Between 1997 and 2009, RCMS, under contract with CLSD, provided after-hours urgent care services, but terminated the contract in 2009 due to financial unsustainability. After the termination of the after-hours urgent care, members from CLSD and RCMS formed The Community Healthcare Working Group (“Working Group”) to address improvements in the delivery of healthcare services and evaluate alternative care model options for the service area. The Working Group engaged Stroudwater Associates in 2009 to conduct a feasibility study for a new Critical Access Hospital (“CAH”) to be located in Gualala, California, which was viewed to be a potential option for providing healthcare services. At the conclusion of the CAH feasibility study, the Working Group determined that further education and study would be required prior to deciding whether to pursue that option. Specifically, additional study is needed to determine the organizational, service, and economic impact of partnering with a hospital or large healthcare organization to achieve economies of scale and service alternatives not anticipated with a stand-alone facility.

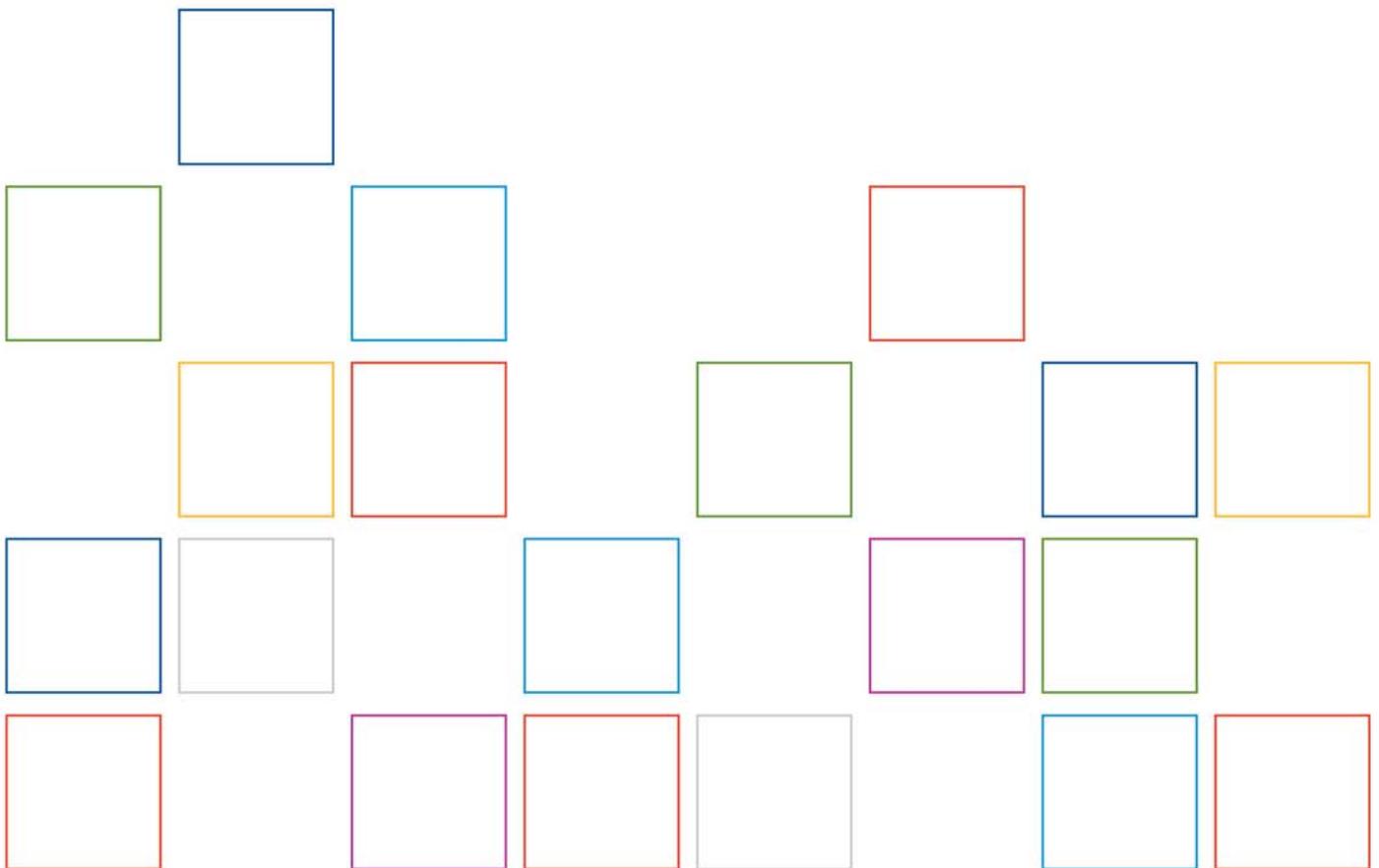
The District is seeking to engage a consulting firm that would develop a business plan for a CAH assuming a three-way partnership between the District, RCMS and a third partner. During Phase I of this engagement, the business plan would:

- Present a high-level community needs assessment and address potential healthcare options:
  - ▶ Potential services to be provided locally and referred out of area
  - ▶ Composition of physician services to be offered in the area (primary and specialty care)
  - ▶ Profile of comparable CAHs
- Identify and evaluate alternative potential models and/or partnerships in place of a CAH

In Phase II of this engagement, The Camden Group would refine and develop utilization and financial projections.

The work plan that follows assumes the development of a three-way partnership between the District, RCMS and a third partner, and defines the approach, structure, and process that The Camden Group will employ to develop the District’s business plan.

## II. Approach and Work Plan



## II. Approach and Work Plan

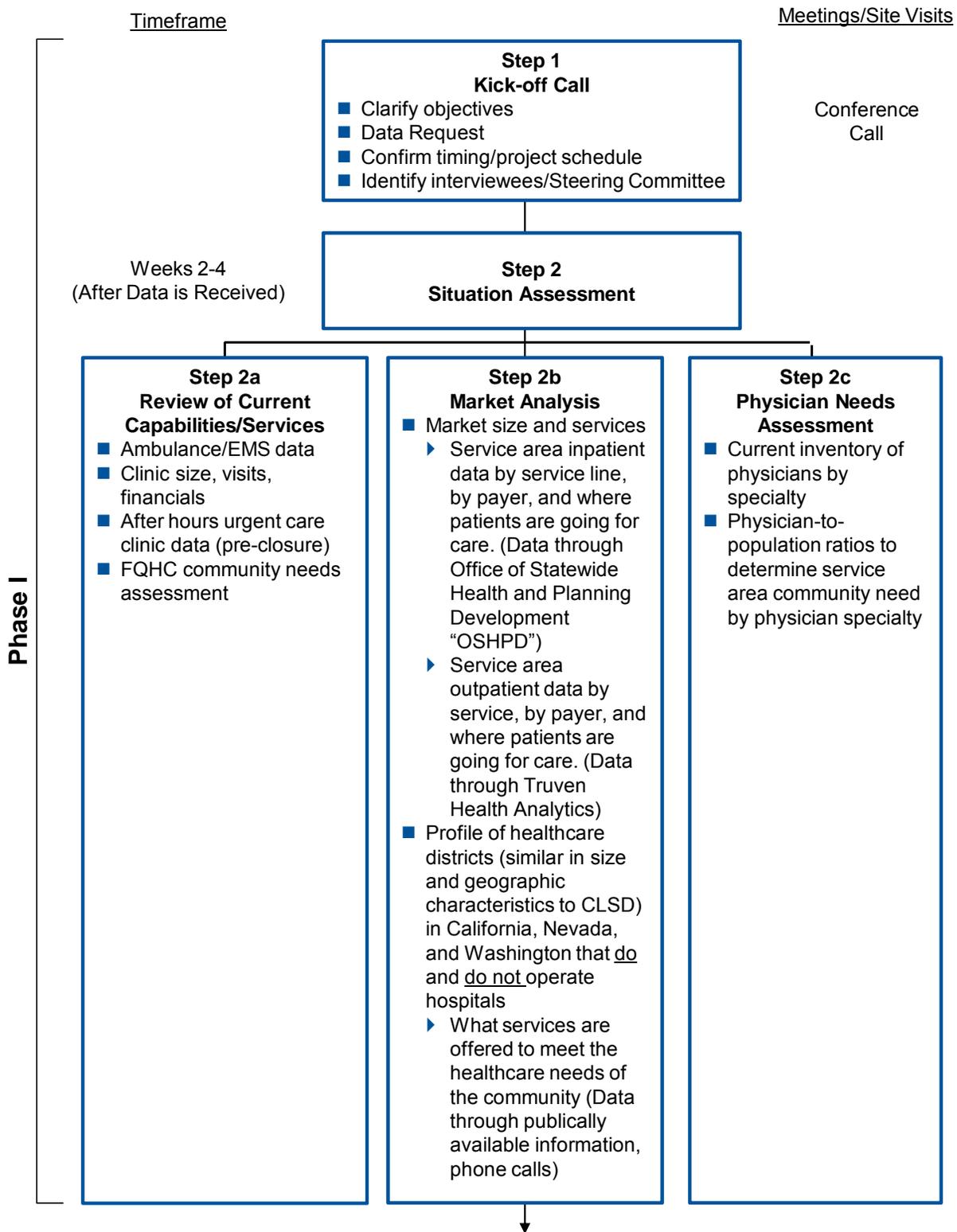
### Approach

The Camden Group will work with CLSD to develop its business plan for a financially sustainable healthcare model. As we are evaluating the viability and feasibility of a CAH, The Camden Group will employ a process that takes into account **emerging and innovative care delivery models to identify strategic options for meeting the healthcare needs of the community**. Changes in the regulatory, payer, environmental, and competitive environments will also be addressed.

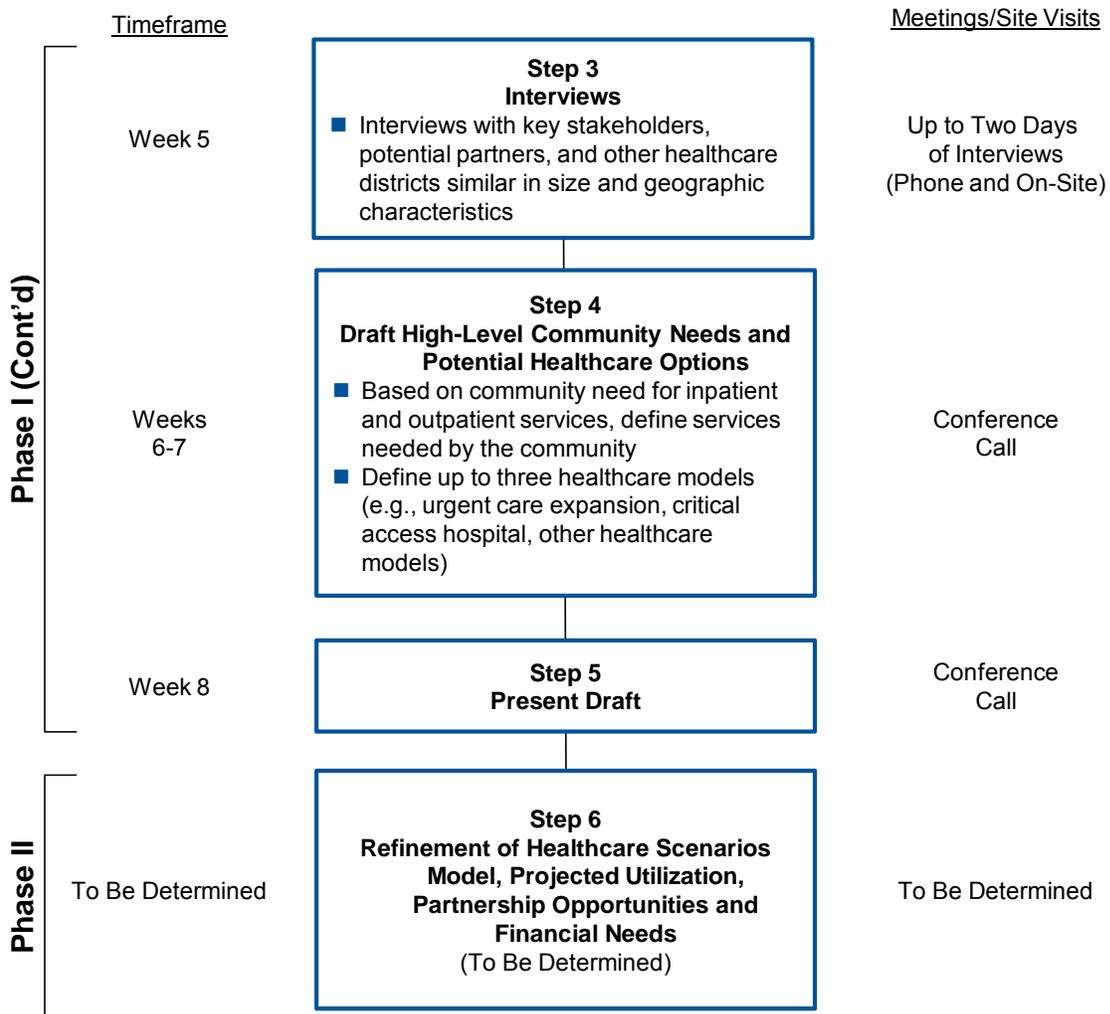
We recommend working with a Steering Committee composed of key stakeholders (e.g., members of the District Board, RCMS leadership, other stakeholders) to guide the development of the business plan. We will work with the Steering Committee to build a shared understanding of the current state, but more significantly to agree on the elements of the future state of the local, regional, and national healthcare environment and their implications for building a sustainable healthcare model. The business planning process has been designed to include interviews with the Steering Committee members and telephone calls to enable input on key assumptions and refinement for Phase I of the final business plan.

We recommend that the District designate an engagement liaison (the “Engagement Liaison”) to facilitate the exchange of information, organize resources on behalf of CLSD to enable the business planning process, and schedule conference calls and meetings.

## II. Approach and Work Plan



## II. Approach and Work Plan



## II. Approach and Work Plan

### Deliverables

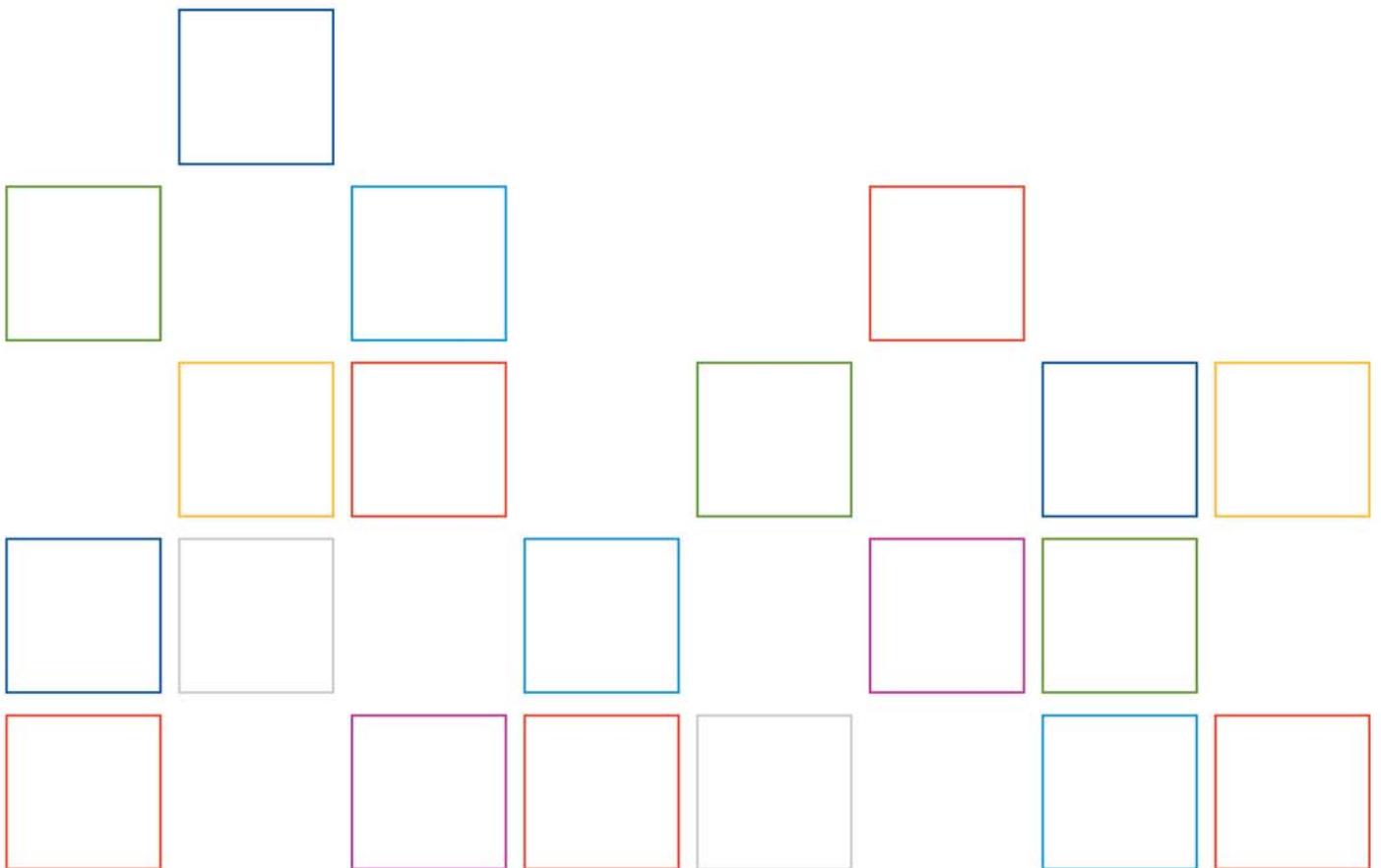
At the conclusion of the Phase I of this engagement, we will have provided to the District a business plan for a financially sustainable healthcare model that proposes a three-way partnership between the District, RCMS, and a third partner. The contents of the business plan will include the following deliverables:

- Overview of the current situation
- Market analysis
- Physician needs assessment
- Utilization and financial performance comparison of other CAHs
- High-level community needs and potential healthcare options

In Phase II of this engagement, The Camden Group would refine and develop utilization and financial projections. The following items would be addressed in Phase II of the engagement:

- Description of key California regulatory guidelines for a CAH
- Utilization and financial projections for three healthcare models (e.g., urgent care expansion, CAH, other services)
- Governance/ownership structures for the CAH and alternative strategic options reviewed
- Recommendations indicating most appropriate healthcare delivery model for the region

### III. Firm Qualifications



### III. Firm Qualifications

For over 40 years, The Camden Group has been providing management and consulting services to the healthcare industry exclusively. We are dedicated to improving and changing the healthcare industry in concert with our clients. With offices across the country, we have assisted more than 2,000 healthcare organizations nationwide. Our multidisciplinary team of industry experts and clinical leaders is nationally recognized for their thought leadership, results-oriented approach, and personalized service. We have extensive, hands-on experience in many facets of healthcare, including hospitals, health systems, medical groups, ACOs, health plans, bundled payment and clinical integration, and nearly one-third of our senior management team have served in clinical leadership roles.

Our relevant and expert advice, together with our practical approaches, proven methodologies, and customized solutions, enable our clients to thrive in a dynamic environment, effectively manage the health of their communities, and improve the healthcare industry overall. Our wide range of capabilities and commitment to our clients' success have made us a respected and trusted leader. Our responsive and collaborative client service has resulted in long-standing relationships with our clients – some for more than 30 years.



For more information and access to our Thought Leadership Library, please visit our website at [www.thecamden.com](http://www.thecamden.com).

## III. Firm Qualifications

### Strategic Analysis and Business Planning to Evaluate Partnerships

Specific to the design and implementation of newly-established integrated entities, financially sustainable healthcare models, system formation, and other forms of collaboration/integration, we understand what works and what doesn't - and why. Our skill and experience allow us to provide tailored business plans that detail economically viable healthcare models and partnerships, consider strategic implications of resources, capabilities, financial models, and leadership necessary for success. We are also often utilized to lead the implementation of the selected strategies and set-up of the required operational functions, such as centralized business office, clinical integration, and payer contracting.

Our customized, client-oriented approach blends analytic rigor, forward-thinking, and collaboration. Historical and "current state" information is evaluated, and tested for reasonableness. The assessment emphasizes anticipated future trends, evaluates the impact of healthcare reform initiatives (e.g., health insurance exchanges, dual eligible pilot programs, and Medi-Cal expansion), and identifies the associated implications for the organization. We focus the approach to help you achieve your objectives, including profitable growth, alignment with physician organizations, identification of opportunities for new partners, and preparing for long-term success. This ensures that the business plan supports your future financial success and is appropriately prioritized to facilitate effective resource allocation. We have developed numerous business plans for:

- New, start-up hospitals
- New joint venture entities
- Accountable care organizations and other clinically integrated organizations
- Centers of Excellence and Institutes
- New services
- New service lines and expansion of existing service lines
- New management models (e.g., co-management)
- Health plans including Knox-Keene license (California HMO requirement) approvals

## III. Firm Qualifications

### Thought Leadership on Future Trends and National Perspective

The Camden Group is recognized as a national thought leader in interpreting the implications of healthcare reform and other industry and societal trends. We are frequently asked to speak at national forums and events, and are continuously published and quoted in prominent publications and journals, such as *Hospitals & Health Networks*, *Modern Healthcare*, *hfm*, *HealthLeaders*, and *The Governance Institute*. With offices across the country, and on the basis of our work experience, we have a thorough understanding of the healthcare industry nationwide and at the state and local level.

### Based Locally and Well-versed in the California Marketplace and Regulatory Climate

California's unique blend of managed care penetration, regulatory environment, and the characteristics of local markets requires specific approaches that may not be found in markets in other parts of the country. We have been providing business advisory services to physicians and hospitals in California for 40 years and are extremely familiar with the competitive climate that exists here. We have worked with Adventist Health System and Mendocino Coast District Hospital, a critical access hospital, to determine opportunities to partner in the delivery of healthcare services to the community, and are very familiar with the unique needs of the coastal communities and healthcare providers in geographically isolated communities.

Further, we have worked with the following healthcare districts located in California:

- Beach Cities Health District (Redondo Beach, California)
- Camarillo Health Care District (Camarillo, California)
- Desert Healthcare District (Palm Springs, California)
- Doctors Medical Center (San Pablo, California)
- Eden Township Healthcare District (Castro Valley, California)
- El Camino Hospital District (Mountain View, California)
- Fallbrook Healthcare District (Fallbrook, California)
- Grossmont Healthcare District (La Mesa, California)
- Healdsburg District Hospital (Healdsburg, California)

### III. Firm Qualifications

- Hemet District Hospital (Hemet, California)
- Kaweah Delta Healthcare District (Visalia, California)
- Lompoc Healthcare District (Lompoc, California)
- Marin Healthcare District (Marin, California)
- Mendocino Coast District Hospital (Fort Bragg, California)
- North Kern – South Tulare Hospital District (Delano, California)
- Sequoia Healthcare District (Redwood City, California)
- Sierra View District Hospital (Porterville, California)
- Sonoma Valley Healthcare District (Sonoma, California)
- Southern Mono Healthcare District/Mammoth Hospital (Mammoth Lakes, California)
- Tri-City Healthcare District (Oceanside, California)

The Camden Group has worked with the following critical access hospitals:

- Beatrice Community Hospital & Health Center (Beatrice, Nebraska)
- Bingham Memorial Hospital (Blackfoot, Idaho)
- Colorado River Medical Center (Needles, California)
- Frank R. Howard Memorial Hospital (Willits, California)
- Gooding County Memorial Hospital (Gooding, Idaho)
- Holy Rosary Healthcare (Miles City, Montana)
- Ketchikan General Hospital (Ketchikan, Alaska)
- Mammoth Hospital (Mammoth, California)
- Mount Carmel Hospital (Colville, Washington)
- Santa Ynez Valley Cottage Hospital (Santa Ynez, California)
- St. Helena Hospital (Clearlake, California)
- Tehachapi Hospital (Tehachapi, California)
- West Kauai Medical Center (Waimea, Hawaii)

## III. Firm Qualifications

### Past Experience and References

The Camden Group has worked on a wide range of engagements that demonstrate our thorough understanding of hospital financial feasibility studies, integrated healthcare delivery networks and business planning, as well as our experience with healthcare districts and critical access hospitals. The following summaries provide a snapshot of engagements we have completed recently.

#### **Mendocino Coast District Hospital**

##### ***Fort Bragg, California***

Mendocino Coast District Hospital (“MCDH” or the “Hospital”), located in Fort Bragg, California, is a 25-bed critical access stand-alone district hospital that has been struggling financially. Adventist Health (“Adventist”) has two hospitals serving Mendocino County and has been in discussions with MCDH on strategic partnering options to strengthen the Hospital and ensure that the citizens of Fort Bragg community continue to receive needed healthcare services. Adventist hired The Camden Group to objectively assess the community needs, identify strategic options for Adventist to support MCDH and the community, and the advantages and disadvantages of each option. Potential strategic options with MCDH included clinical integration, emergency and hospitalist clinical integration, strategies to increase physician availability (e.g., rural health clinic, telemedicine, specialist rotation), redesign benefit/narrow network, and share/purchase services.

#### **Lompoc Healthcare District**

##### ***Lompoc, California***

Lompoc Healthcare District (the “District”) operates Lompoc Valley Medical Center, a 60-bed general acute care facility and the Comprehensive Care Center, a 110-bed skilled nursing facility. In 2010 the District proposed to renovate and convert a recently vacated building into a Chemical Dependency Rehabilitation Hospital (“CDRH”). District Management anticipated the cost for the renovation would be approximately \$18 million, and wished to fund it with a combination of tax-exempt bonds insured through the Cal-Mortgage Loan Insurance Program and cash reserves. The Camden Group was retained to complete a financial feasibility study to assess the District’s ability to support the financing of the project. In January 2013 the District’s bond application was approved by Cal-Mortgage, and the bonds were issued in March 2013.

## III. Firm Qualifications

### **Marin Healthcare District**

#### ***Greenbrae, California***

The Camden Group was engaged by Marin Healthcare District (the “District”) in 2007 to shepherd the separation of Marin General Hospital from Sutter Health System. The Camden Group served the executive team through the transition of control to the District. During this engagement we managed the following: vendor agreements, managed care contracts, developed the strategic direction for the Hospital, developed the range of clinical services, completed a medical staff development plan, prepared the team for a successful JCAHO survey two months after transfer, and recruited and hired the permanent executive team. **The Camden Group’s Financial Feasibility Study enabled the District to attract \$60 million in interim financing to complete the transaction.**

### **Beatrice Community Hospital & Health Center**

#### ***Beatrice, Nebraska***

The Camden Group was engaged by Beatrice Community Hospital & Health Center (“BCHHC” or the “Hospital”), a critical access hospital, in 2012 to facilitate the development of its strategic plan. The planning process was designed to, among other things, establish the strategic role for BCHHC and the critical success factors specific to that role; develop strategies related to physician alignment, strengthen Hospital and physician performance, and appropriate growth; and enhance collaboration among the BCHHC medical staff and Hospital staff to advance BCHHC’s clinical integration (“CI”) initiatives. The planning work involved conducting focus groups of community leaders, residents of the BCHHC service area, employees of the Hospital, and members of the medical staff and management team. In December 2012, the BCHHC Strategic Plan was approved by the Board of Directors, and The Camden Group is currently working with the Hospital on the development of a Business Plan for every department in the organization.

### **Martin Luther King Jr. Hospital**

#### ***Los Angeles, California***

In 2007, the Martin Luther King, Jr. County Hospital (“MLK”) was closed after losing their ability to bill CMS patients. A new nonprofit board was created in 2010 to re-open the hospital in 2014 as a private nonprofit hospital with an alliance with the University of California, Los Angeles (“UCLA”). The Camden Group was engaged in January 2012 to provide a portion of the pre-opening executive team including the CFO, CNO and Director of Development, CMO, VP of Ancillary Services, and overall Project Manager. Currently we are working with the County of

## III. Firm Qualifications

Los Angeles, the MLK Board, UCLA, and other stakeholders to open the new hospital on time and on budget in January 2014. This project involves in-depth market-based analysis, physician alignment strategies, the development of a new care delivery system, operating budgets, and plans for managing a very specific service area population, which includes patients with chronic diseases, discharge planning challenges, and mental health disorders.

### **Casa Colina**

#### ***Pomona, California***

The Camden Group completed a financial feasibility study on behalf of Casa Colina Centers for Rehabilitation (“Casa Colina”). Casa Colina is a healthcare organization specializing in the delivery of physical rehabilitation services and was interested in expanding its services to include acute care (the “Project”). The cost of the Project was estimated to be \$69 million, and Casa Colina anticipated funding the cost with a combination of debt and cash reserves. The purpose of the study was to determine Casa Colina’s ability to pay principal and interest related to its current debt, as well as the financing that would be required to build the acute care beds. Casa Colina obtained approximately \$53 million in financing to fund the project and is currently in the development stages of the Project.

### **Henry Mayo Newhall Memorial Hospital**

#### ***Valencia, California***

The Camden Group completed a draft financial feasibility study on behalf of Henry Mayo Newhall Memorial Hospital (“Henry Mayo”), for submission to Cal-Mortgage. Henry Mayo is a 217-bed not-for-profit community hospital and trauma center, located in the Santa Clarita Valley. Henry Mayo is interested in obtaining new debt to finance the expansion of its acute care services and to refinance a portion of its current debt. They are seeking credit enhancement from Cal-Mortgage. The purpose of the study is to determine Henry Mayo’s ability to meet principal and interest payments related to this new debt.

### **Havasu Surgery Centre**

#### ***Lake Havasu City, Arizona***

The Camden Group completed a financial feasibility study on behalf of Havasu Surgery Centre (“HSC”). HSC is an ambulatory surgery center located in Lake Havasu City, Arizona. The current owners were interested in expanding HSC into a new 60-bed acute care hospital that would require the issuance of debt and private equity ownership. Havasu Community Healthcare System (“HCHS”), a for-profit limited liability company, was formed by the owners of

### III. Firm Qualifications

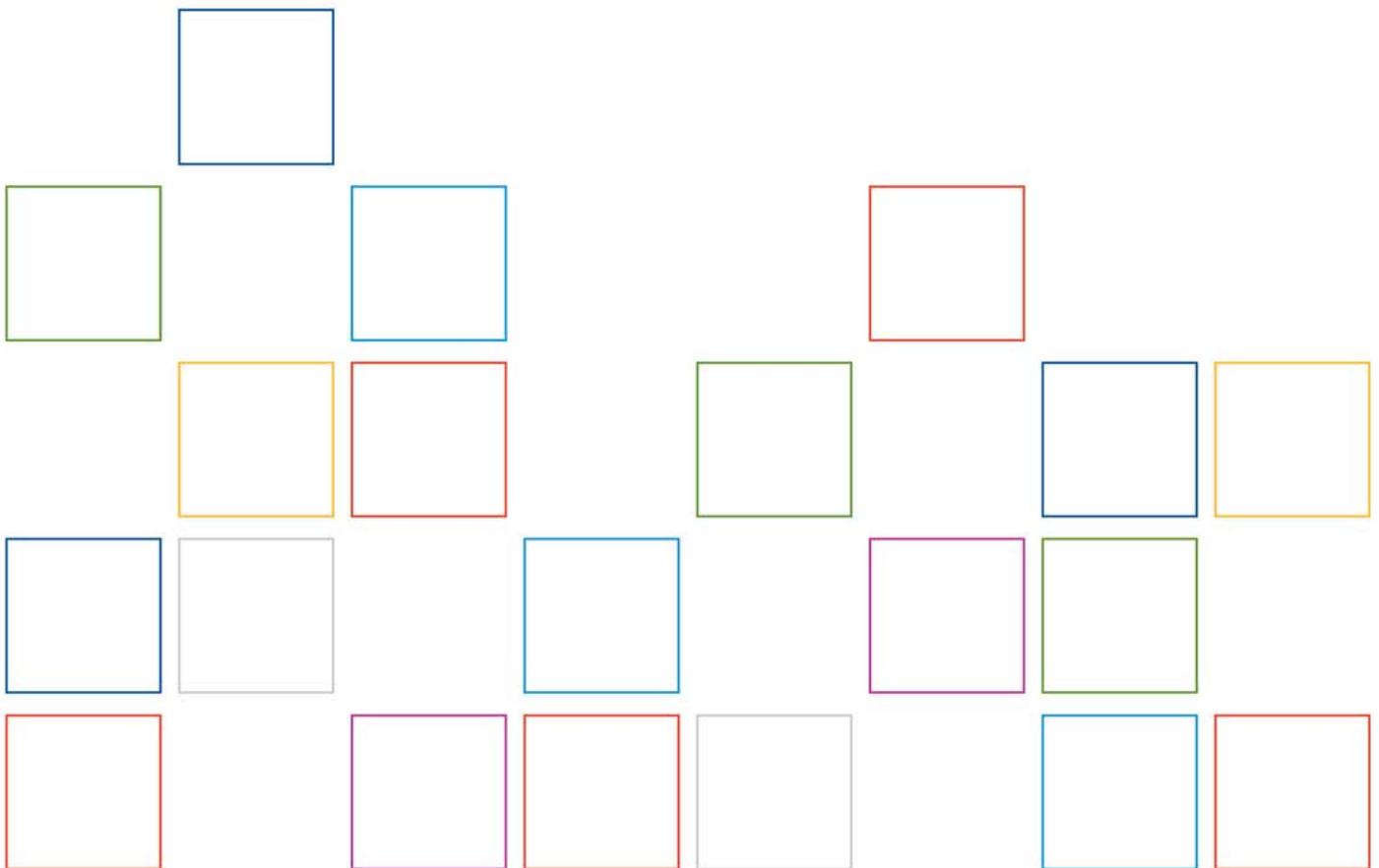
HSC for the purposes of owning and operating the hospital. The purpose of the study was to assess HCHS's ability to meet principal and interest payments for the proposed debt. The total project costs were estimated to be \$88.5 million, of which \$71.6 was to be financed through a construction loan and working capital line of credit.

#### References

Mr. Terry Newmyer  
President and Chief Executive Officer  
Adventist Health Northern California Network  
707.963.6433

Mr. James Raggio  
Chief Executive Officer  
Lompoc Valley Medical Center  
805.737.3301

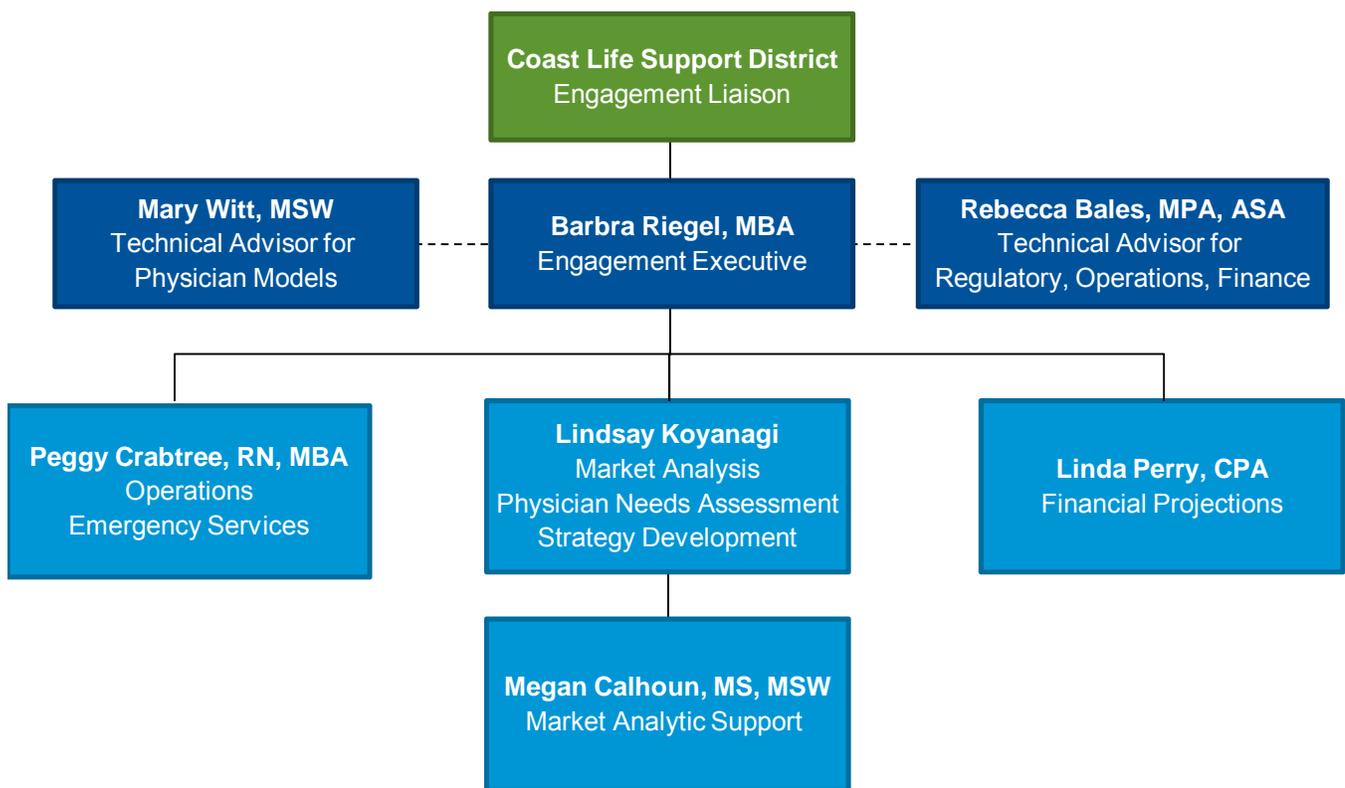
## IV. Engagement Staffing and Biographical Sketches



## IV. Engagement Staffing and Biographical Sketches

Ms. Barbra Riegel will be the engagement executive for this engagement. She will lead the evaluation of the strategic options and Steering Committee sessions. Other team members will include Ms. Linda Perry (finance), Ms. Peggy Crabtree (operations), Ms. Lindsay Koyanagi (business planning strategy and development), and Ms. Megan Calhoun (planning, analytics). Ms. Rebecca Bales, will serve as the technical advisor for regulatory, operations, and finance. Ms. Mary Witt will serve as the technical advisory for physician models (e.g., rural health centers, etc.). Other consulting staff may be added to the team if their expertise is required. A staffing diagram is shown below and brief biographies are included one the following pages.

### Staffing Diagram



## IV. Engagement Staffing and Biographical Sketches

### Biographical Sketches



#### **Barbra Z. Riegel, MBA**

Ms. Riegel is a vice president with The Camden Group. With more than 20 years of healthcare experience, she specializes in strategic planning and business advisory services. She is a speaker on healthcare trends and growth strategies and has published numerous articles. She recently wrote a white paper on Accountable Care Organizations (“ACOs”) that was published by The Governance Institute. She has over 15 years of consulting experience with Ernst & Young and The Camden Group. Ms. Riegel has assisted clients with strategic planning, board and management retreats, facility master planning, business plans, and feasibility studies for various organizations, including academic medical centers, community, district, and critical access hospitals, physician groups, MSOs, HMOs, long-term care facilities, and integrated delivery systems. She has also advised on joint ventures and physician-hospital alignment strategies, and led the development of new Knox-Keene licensed health plans, as well as the expansion of health plans into new markets (e.g., Medicare).

Prior to joining The Camden Group, Ms. Riegel was responsible for planning, business development and physician recruitment for Providence Health and Services’ facilities in the Little Company of Mary Service Area. Within the service area, she supported two general acute care hospitals, a 50-member physician group, hospice, home health, sub-acute, and long-term care facilities. Ms. Riegel was also the vice president of planning and business development at CHW California Hospital Medical Center and the Daughters of Charity’s St. Vincent Medical Center in downtown Los Angeles. In these roles, she was responsible for strategic planning, master planning, service line business plans, physician recruitment, marketing plans, and developed and enhanced centers of excellence.

Ms. Riegel received her bachelor’s degree from the University of Southern California in health policy and administration, and her MBA from The Peter F. Drucker Management School at Claremont Graduate University. She is a trained and experienced facilitator using GE’s change acceleration process and tools.

## IV. Engagement Staffing and Biographical Sketches



### **Rebecca B. Bales, MPA, ASA**

Ms. Bales is a senior vice president at The Camden Group specializing in hospital operations and transactions. She is responsible for the hospital operations division of The Camden Group which focuses on hospital turnarounds, interim management, labor management, and operations improvement. Most of her clients are tax-exempt organizations or public hospitals that are developing or dissolving new services, entities, or relationships.

Over the past seven years she has led engagements for five public hospitals and counties that were implementing public-private partnerships or financial turnarounds. In three of these engagements, she served as interim chief financial officer during their transitions.

She is an Accredited Senior Appraiser in the American Society of Appraisers and a member of the Institute of Business Appraisers and the National Association of Certified Valuation Analysts. She has taught the graduate course in Health Care Finance in the Health Services Administration Program at the University of Southern California. She has also given lectures at the Health Care Compliance Association National Institute on “Fair Market Value in Compliance Arrangements” in 2004, and for the California Hospital Association on “Fair Market Value in Physician Compensation” regarding Stark II in the Fall of 2004.

Prior to joining The Camden Group, Ms. Bales served as chief financial officer for Good Samaritan Hospital, an independent nonprofit hospital in Los Angeles, California. Other positions held include senior manager with KPMG (Peat Marwick’s National Health Care Strategy Practice), chief financial officer at the University of Arizona Medical Center, and assistant administrator at Cedars-Sinai Medical Center.

Ms. Bales holds a bachelor’s degree from Purdue University and a master’s degree in health services administration from the University of Southern California.

## IV. Engagement Staffing and Biographical Sketches



### **Mary J. Witt, MSW**

Ms. Witt is a senior vice president with The Camden Group and has over 25 years of healthcare experience. She has held management positions in hospitals, health systems, and management services organizations (MSOs). She has extensive experience in medical group and integrated delivery system development and management. This includes practice management, performance improvement, physician compensation, managed care, strategic planning, healthcare marketing, and physician recruitment.

Ms. Witt leads medical group development, performance improvement, and turnaround projects for integrated delivery systems, medical groups, and academic residency programs throughout the country. She has assisted provider organizations with strategic, operational, and financial assessment and redesign, including changes in organizational structure and physician compensation. She also has assisted hospitals in the development of their managed care and payer contracting strategies.

Ms. Witt is a frequent speaker and author on medical group and managed care issues, including performance improvement, physician-hospital relationships, physician compensation, current trends in healthcare, and payer contracting. She speaks regularly for the Medical Group Management Association and the American Academy of Medical Management. She is a major contributing author to the recently published book, Medical Group Management: Strategies for Enhancing Performance. She also has written for the Medical Group Management Journal, Healthcare Financial Management, and the Journal of Medical Practice Management. She is frequently quoted in healthcare magazines and newsletters, including Modern Physician.

Prior to joining The Camden Group, she was vice president, operations for PrimeCare Health Services, a MSO serving over 100 physicians through the provision of practice management and managed care services. She has also served as the director of physician services and manager of contracting for a multi-hospital system. She has a master's degree from the University of Michigan and a bachelor's degree from the University of Wisconsin, Milwaukee where she graduated with honors.

## IV. Engagement Staffing and Biographical Sketches



**Linda G. Perry, CPA**

Ms. Perry has nearly 20 years of financial advisory experience in the healthcare industry. Her focus includes financial feasibility studies, debt capacity studies, and business plans for hospitals and other healthcare organizations. Her feasibility work has been used to obtain tax-exempt financing and includes replacement hospitals, start-up hospitals, ambulatory care centers, medical office buildings, long-term care facilities, and service line expansions. She serves as a business advisor in complex transactions and projects that involve coordination among investment bankers, attorneys, architects, and engineers.

Many of her projects involve specialty programs or centers of excellence, including oncology, cardiology, senior care, and behavioral care. In these specialty projects, she integrates the interests of physicians, hospitals, and regulatory parties into detailed or top line business plans.

Prior to joining The Camden Group, Ms. Perry was a manager in the KPMG Peat Marwick National Health Care Strategy Practice. Prior to moving into the consulting practice, Ms. Perry was a senior auditor at KPMG and supervised the audits for several large multi-specialty medical groups, hospitals, and integrated delivery systems.

She received her bachelor's degree in accounting from Arizona State University. She is a member of the Healthcare Financial Management Association. She is a Certified Public Accountant in the State of California.



**Peggy J. Crabtree, RN, MBA**

Ms. Crabtree is a vice president with The Camden Group and an expert on service line planning and development, co-management arrangements, and bundled payments. She has a strong clinical background, having held service line director and nursing leadership roles in numerous hospitals.

Prior to joining The Camden Group, Ms. Crabtree served as Executive Director Cardiovascular and Imaging Service Line at Huntington Memorial Hospital in Pasadena, California. She established the cardiac and vascular service line for this 644-bed Magnet hospital, which serves as a Level I trauma center and ST segment elevation myocardial infarction (“STEMI”) receiving

## IV. Engagement Staffing and Biographical Sketches

center. She was responsible for the development and implementation of the business plan, associated building projects, and programs consistent with the hospital's mission and strategic plan.

Prior to her role at Huntington Memorial Hospital, Ms. Crabtree served as Service Area Director South Bay Region, Clinical Departments/Service Lines at Little Company of Mary Hospital in Torrance and San Pedro, California. There she had regional responsibility for clinical services and service line development for an integrated healthcare system, including two acute care hospitals, three outpatient centers, and multiple physician practices and urgent care centers.

Ms. Crabtree has held other positions including chief executive officer of Cardiology Consultants of the South Bay in Torrance, California and vice president/chief nursing officer in clinical administration and nursing at Loma Linda University Medical Center in Loma Linda, California.

She is a member of the American Heart Association Executive Leadership Board/Go Red Committee in Los Angeles, American College of Cardiology, and American College of Cardiovascular Administrators.

Ms. Crabtree earned her master's degree in business administration from Pepperdine University, Graziadio School of Business and Management in Malibu, California and her bachelor's degree in nursing from Loma Linda University, School of Nursing in Loma Linda, California. She earned her Lean Healthcare Certificate from University of Michigan.



### **Lindsay Koyanagi**

Ms. Koyanagi is a senior consultant with The Camden Group specializing in the areas of hospital-wide and clinical service line specific strategic and business planning, facility planning, and medical staff development planning. In support of these projects, she evaluates the implications for future inpatient and outpatient utilization and resource requirements based on trends specific to population and demographics, health status, payer mix, the competitive environment, and the evolution of clinical practice and technology. In support of this she utilizes a broad array of public and proprietary data bases, including Claritas (population), and OSHPD (utilization) as well as the firm's extensive and continuously updated profiles of national, state, and regional industry trends and clinical service profiles. Ms. Koyanagi is an expert in building and applying utilization and resource need projection models. Recently, she completed market analysis and utilization and resource need projection studies on behalf of

## IV. Engagement Staffing and Biographical Sketches

Scripps Health, Community Medical Centers, Martin Luther King Medical Center, and Valley Presbyterian Hospital.

Additionally, Ms. Koyanagi has assisted hospitals in the development of strategies and recommendations around changing market dynamics.

Prior to joining The Camden Group, Ms. Koyanagi served as project manager intern for Growththink Consulting Inc., where she helped prepare business plans and financial statements for start-up and early-stage companies.

Ms. Koyanagi earned a bachelor's degree in management science from the University of California, San Diego.



### **Megan Calhoun, MS, MSW**

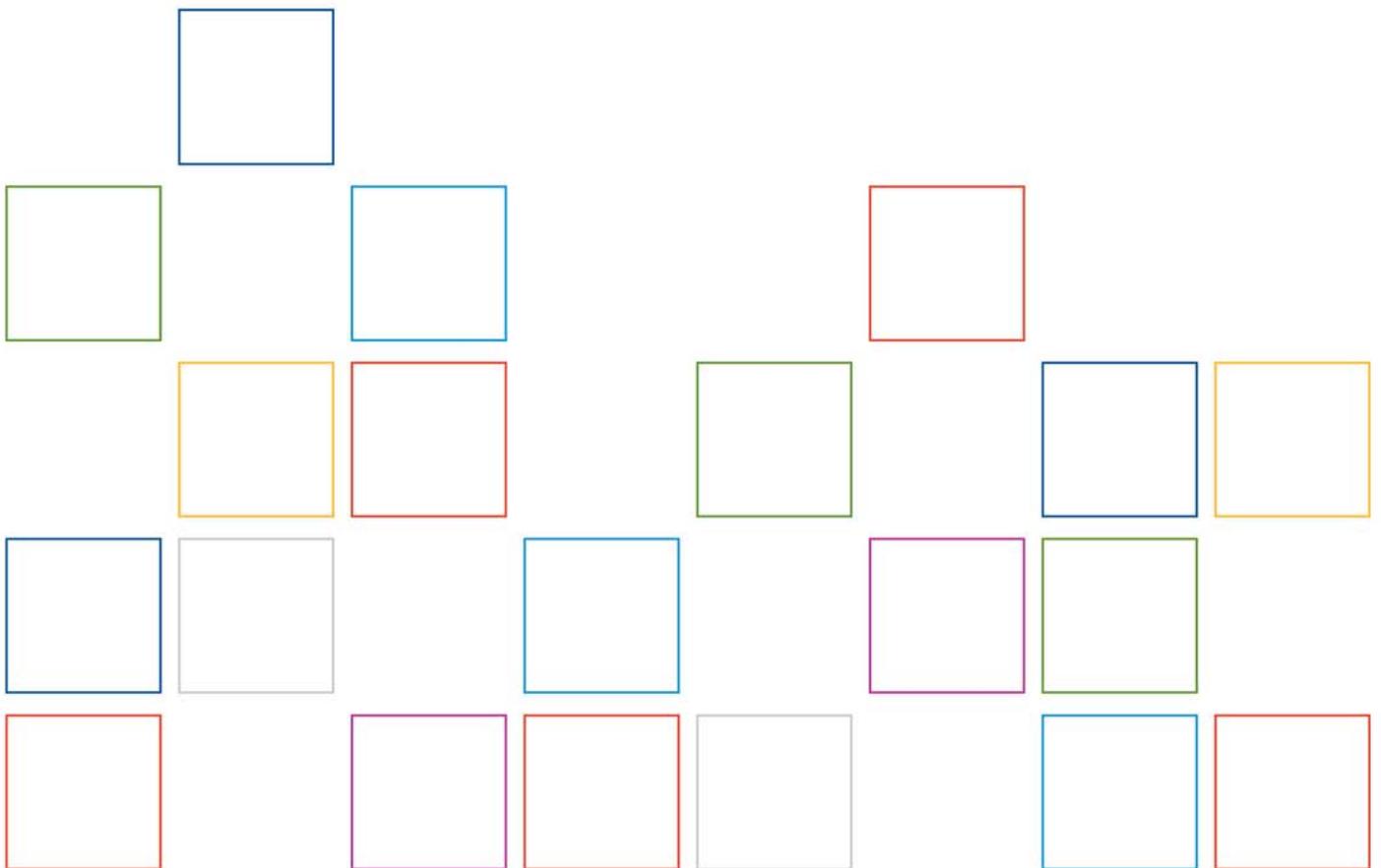
Ms. Calhoun is an analyst with The Camden Group and focuses in the areas of strategic and business planning analysis, medical staff development and needs projections, market share analysis, the development of clinically integrated organizations, and bed need analysis.

She has experience in identifying the implications for future utilization and resource requirements based on market and competitor characteristics as well as national and regional trends. In support of this, Ms. Calhoun utilizes a broad array of public and proprietary databases, as well as the firm's continuously updated profiles on trends. Ms. Calhoun has also supported clients in the development of accountable care organizations, including Medicare Shared Savings Program applications and implementation strategy and planning.

Prior to joining The Camden Group, Ms. Calhoun worked as a social worker for HealthCare Partners Medical Group in Los Angeles, California, where she was a member of the multidisciplinary palliative care/home care team. She specialized in care coordination for the high-risk, senior population.

Ms. Calhoun earned her master of science in gerontology and master of social work degrees from University of Southern California in Los Angeles, California. She earned her bachelor's degree from Northwestern University in Evanston, Illinois.

# V. Timing and Fees



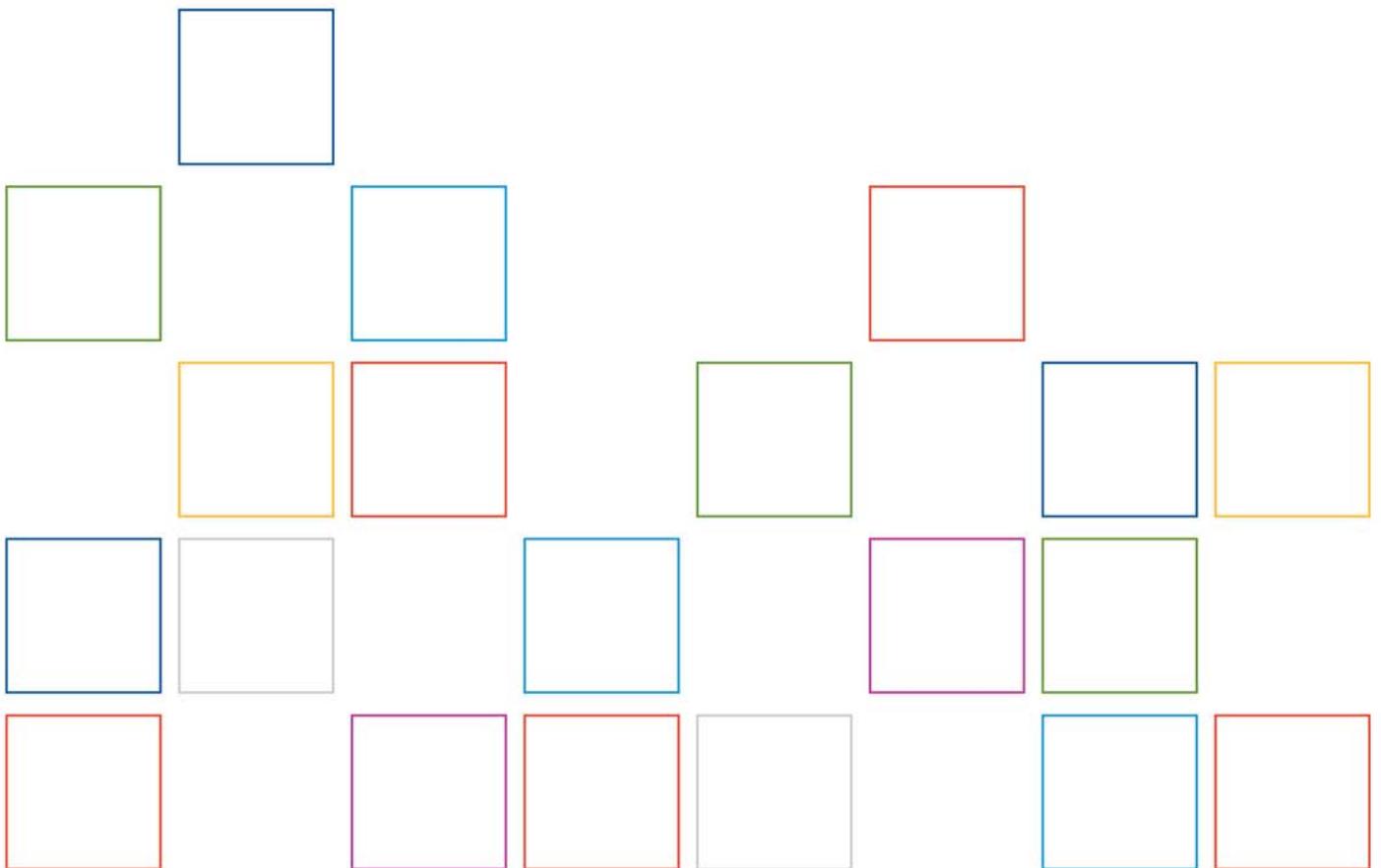
## V. Timing and Fees

We are prepared to begin this engagement immediately upon approval of the work plan. We anticipate completing Phase I of this engagement within eight weeks assuming no major complications with scheduling meetings or obtaining required data. We charge clients on an hourly basis for the actual time expended on behalf of their engagement. Our fees reflect the relevant experience and knowledge required to conduct the engagement. Our professional fees for Phase I of this engagement, including out-of-pocket expenses, are not to exceed \$100,000.

In the event that the engagement is completed in fewer hours than expected, the fees will be reduced accordingly. Any additional work beyond the scope outlined in this proposal will be charged at our customary hourly rates. Should a need or request for additional work arise, we will discuss it with you and obtain approval prior to proceeding. In order to initiate the engagement, we will require an end of the matter retainer of \$30,000, which will be applied toward total fees due at the conclusion of the engagement.

Invoices are submitted monthly based on the work performed and expenses incurred during the previous month, and are due upon receipt. Services may be discontinued in the event payment is not received within thirty (30) days of the invoice date.

# VI. Acceptance



## VI. Acceptance

We appreciate the opportunity to submit this proposal and look forward to the prospect of working with you. If this proposal is acceptable as written, please sign this page and return it along with the retainer to our office to the attention of Ms. Riegel. If you have any questions or comments, or if we have misunderstood your needs in any way, please do not hesitate to call Ms. Riegel at 310.320.3990, extension 3954.

*The Camden Group*

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THE CAMDEN GROUP

ACCEPTED:

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Signature

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Printed Name

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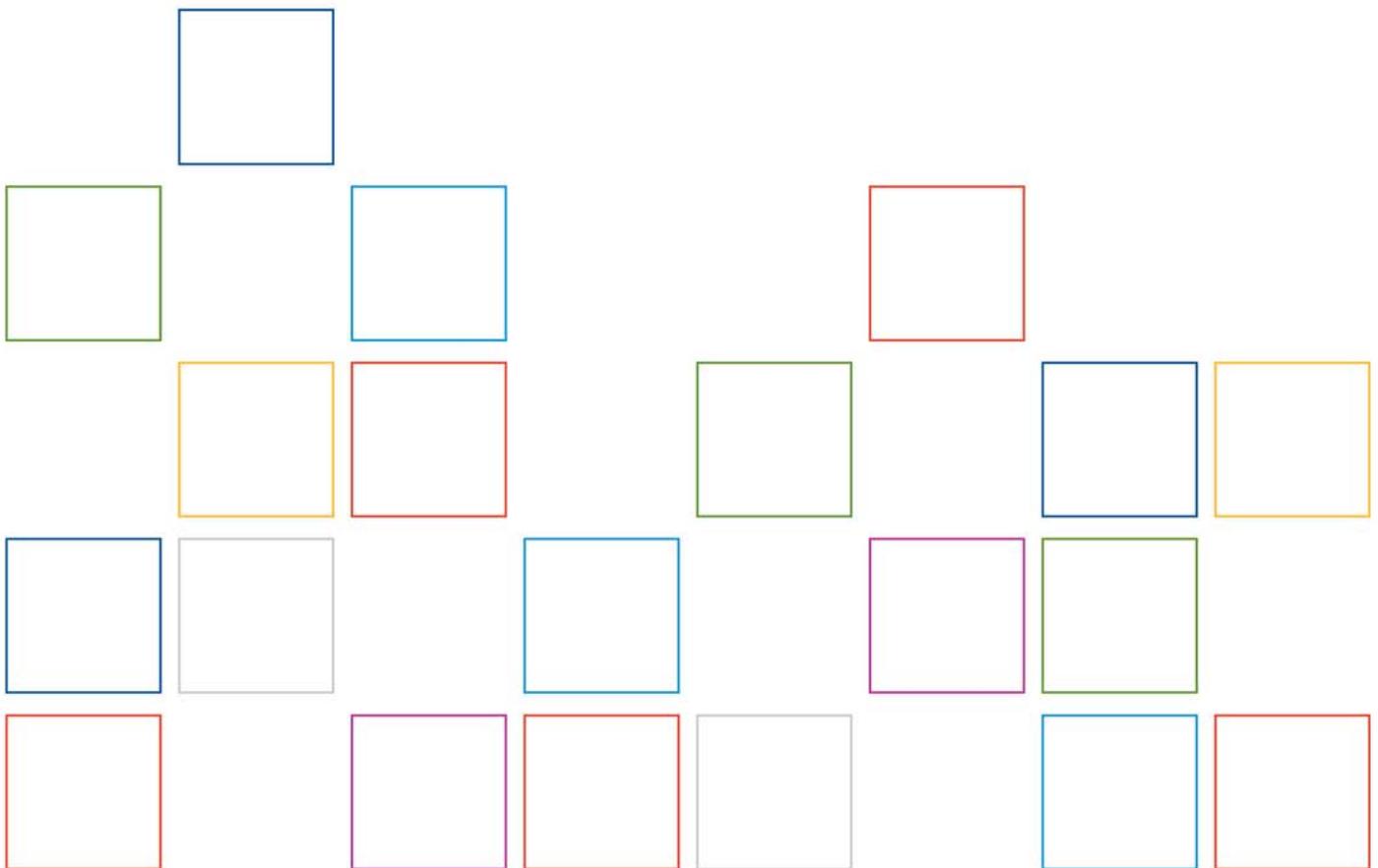
Title

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Date

# Appendix A

## General Business Terms



# Appendix A

## General Business Terms

The terms in this Appendix A apply to services to be provided by The Camden Group to Coast Life Support District. In the event that there is a conflict between the proposal (or any other attachments to the proposal) and this Attachment A, the terms of this Attachment A shall control. Any capitalized terms herein that are undefined shall have the meaning assigned to them elsewhere in the Agreement.

### 1. Business Risk Allocations

This Section 1 shall apply regardless of the nature of any claim asserted (including but not limited to contract, statute, tort, strict liability, or any form of negligence, whether by Coast Life Support District, The Camden Group, or others, except for The Camden Group's gross negligence or willful misconduct) but such terms shall not apply to the extent finally determined to be contrary to any applicable law. Terms set forth in this section shall also continue to apply after any termination of this Agreement and during any dispute between the parties.

#### (a) Limitation of Liability

With respect to the services provided by The Camden Group and this Agreement generally, in no event shall the liability of The Camden Group and its present and former partners, principals, directors, employees, agents and contractors for any claim, including but not limited to The Camden Group's own negligence, exceed the fees it receives for the portion of the work giving rise to such liability. This limitation shall not apply to the extent that it is finally determined that any claims, losses, or damages are the result of The Camden Group's gross negligence or willful misconduct or fraud.

In addition, Coast Life Support District agrees that The Camden Group and its present, future and former partners, principals and employees shall not under any circumstances be liable for any special, consequential, incidental or exemplary damages or loss (nor any lost profits, taxes, interest, tax penalties, savings or business opportunity).

#### (b) Indemnity

Coast Life Support District shall, upon the receipt of written notice, indemnify, defend and hold harmless The Camden Group and its present and former partners, principals, directors, employees, agents and contractors (collectively the "Indemnified Party") from and against any liability, damages, fees, expenses, losses, demands, and costs (including defense costs) associated with any claim arising from or relating to: (i) your misrepresentations; (ii) any third party claims related to services provided under this Agreement; or (iii) false or incomplete information provided to us by you or your agents. You agree to reimburse the Indemnified Party for all reasonable expenses including reasonable attorney's fees and expenses, as they are incurred in connection with the investigation of, preparation for, or defense of, any pending or threatened claim or action or proceeding arising therefrom, whether or not The Camden Group is a party.

#### (c) General

If any portion of this Agreement is held invalid, it is agreed that such invalidity shall not affect any of the remaining portions.

### 2. Scope of Work

The Camden Group shall be obligated only for the services described in this proposal, and only for changes in such scope that are set forth in writing and duly executed by the parties hereto. To the extent the scope of the engagement is not appropriately documented, the parties shall work diligently and in good faith to document the necessary details at the request of either party. Except with respect to a dispute or litigation between The Camden Group and Coast Life Support District, The Camden Group's costs, expenses, and time spent in legal and regulatory matters or proceedings arising from this Agreement, such as subpoenas, testimony, bankruptcy fee filings, consultation involving private litigation, arbitration, government or industry regulation inquiries, whether made at your request, the request of a third party or by subpoena or equivalent will be billed to Coast Life Support District separately at our standard rates for such services.

# Appendix A

## General Business Terms

### 3. Ability to Perform

Neither party shall be liable for any delay or failure in performance due to circumstances beyond its reasonable control. However, it is possible that because of unexpected circumstances The Camden Group may determine that we cannot complete our services. If, in our professional judgment, such circumstances exist, we may resign from this engagement prior to completion without incurring any liability to you. In addition, The Camden Group reserves the right to in whole or in part decline to perform services if information comes to our attention indicating that performing any services could cause us to be in violation of applicable law, regulations or standards or in a conflict of interest, or to suffer damage to our reputation.

### 4. Standards of Performance

The Camden Group will perform our services in conformity with the terms expressly set forth in this Agreement, including all applicable professional standards. Accordingly, our services shall be evaluated solely on our substantial conformance with such terms and standards. Any claim of nonconformance (and applicability of such standards) must be clearly and convincingly shown. Coast Life Support District acknowledges that the services will involve the participation and cooperation of management and others of Coast Life Support District. Unless required by professional standards or Coast Life Support District and The Camden Group agree otherwise, in writing, The Camden Group shall have no responsibility to update any of its work after its completion.

### 5. Successors and Affiliates

**(a)** Except to the extent expressly provided hereto to the contrary, no third-party beneficiaries are intended under this Agreement.

**(b)** This Agreement is binding on each party hereto and on each of its successors, assigns, heirs, legatees, and legal representatives.

**(c)** Coast Life Support District shall not assign any rights, obligations or claims relating to this Agreement.

### 6. Electronic Communications

During the course of our engagement, The Camden Group and Coast Life Support District may need to electronically transmit confidential information to each other and to third-party service providers or other entities engaged by either The Camden Group or Coast Life Support District. Electronic methods include telephones, cell phones, e-mail, and fax. These technologies provide a fast and convenient way to communicate. However, all forms of electronic communication have inherent security weaknesses, and the risk of compromised confidentiality cannot be eliminated. Coast Life Support District agrees to the use of electronic methods to transmit and receive information, including confidential information.

### 7. Privacy

The Camden Group is committed to protecting personal information. We will maintain such information in confidence in accordance with professional standards and governing laws. Therefore, any personal information provided to us by Coast Life Support District will be kept confidential and not disclosed to any third party unless expressly permitted by Coast Life Support District or required by law, regulation, legal process, or professional standards. Coast Life Support District is responsible for obtaining, pursuant to law or regulation, consents from parties that provided Coast Life Support District with their personal information, which will be obtained, used, and disclosed by The Camden Group for its required purposes.

### 8. Payment Obligations

If Coast Life Support District breaches any payment obligation under this Agreement, and such breach is not cured within fifteen (15) days of its receipt of written notice of such breach, The Camden Group may immediately (a) suspend performance of the services, (b) change the payment conditions under this Agreement so that Coast Life Support District must pay us weekly and in advance or (c) terminate this Agreement. If we elect to suspend our performance due to nonpayment, the services will not be resumed until your account is paid as agreed. Alternatively, if we elect to terminate the services due to

# Appendix A

## General Business Terms

nonpayment, you will be obligated to compensate us for all time expended and to reimburse us for all expenses through the date of termination.

### 9. Warranty of Performance

The Camden Group warrants that it will perform its services on a reasonable professional efforts basis. This warranty is in lieu of, and we expressly disclaim, all other warranties, express, implied or otherwise, including without limitation any implied warranties of merchantability or fitness for a particular purpose. We cannot and do not warrant computer hardware, software or services provided by other parties.

### 10. Use of Deliverables

**(a)** All “Deliverables” (as defined in the attached letter) are strictly confidential and prepared solely for the internal use of Coast Life Support District’s management, employees, and Board of Directors. Except as provided below, upon full payment of our billings, Coast Life Support District shall acquire a perpetual, non-transferable, royalty-free license to use the Deliverables for Coast Life Support District’s internal business purposes.

**(b)** Notwithstanding section 10(a) above, The Camden Group shall retain sole and exclusive ownership of and all right, title and interest in and to the Deliverables and related intellectual property, including, without limitation, the know-how, concepts, techniques, methodologies, ideas, processes, models, templates, tools, utilities, routines, and trade secrets that existed prior to this engagement or that, to the extent they are of general application, may have been discovered, created or developed by The Camden Group as a result of its own efforts during this engagement (collectively, the “The Camden Group Property”). Coast Life Support District shall acquire no right or interest in the The Camden Group Property, except for a non-exclusive, non-transferable, royalty-free right to use such The Camden Group Property solely in connection with Coast Life Support District’s permitted use of the Deliverables. Coast Life Support District will not sublicense or otherwise grant any other party any rights to use, copy or otherwise exploit or create derivative works from the The Camden Group Property.

**(c)** If Coast Life Support District wishes to make reference to The Camden Group or to disclose or disseminate in any manner any portion of any Deliverable to a third party, including, if applicable, outside auditors, you agree to first (i) provide us with a draft of the proposed disclosure, (ii) obtain our advance written approval and (iii) if requested by us, obtain from any third party and provide to us a non-disclosure agreement and/or release in a form satisfactory to us in our sole discretion.

### 11. Other Responsibilities

**(a)** The documentation for this engagement (including the working papers) is not part of the Deliverables, is the property of The Camden Group and constitutes confidential information. We have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. However, we may be requested to make certain documentation available to Regulators pursuant to law or regulations. If requested, access to the documentation will be provided to the Regulator(s) under the supervision of The Camden Group personnel and at a location designated by us. Furthermore, upon request, we may provide photocopies of selected documentation to the Regulator(s). The Regulator(s) may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies. Coast Life Support District hereby authorizes us to allow the Regulator(s) access to, and photocopies of, the documentation in the manner discussed above.

**(b)** Coast Life Support District will remain responsible for the care and control of its premises, for all internal books and record keeping, for establishing and maintaining effective internal control systems and for all management functions, responsibilities, and decisions.

**(c)** The Camden Group shall not be responsible or liable for any (i) service interruptions of or (ii) corruption or damages (whether direct, indirect, consequential or otherwise) to Coast Life Support District’s or third party’s information systems and the information and data contained therein, including but not limited to denial of access, automatic shut-down of information systems caused by or resulting from The Camden Group’s performance of the services.

# Appendix A

## General Business Terms

**(d)** Unless otherwise specified herein, Coast Life Support District shall obtain for The Camden Group on a timely basis any internal and third-party permissions, licenses or approvals that are required for The Camden Group to perform the services (including use of any necessary software or data). Coast Life Support District shall also provide The Camden Group, on a timely basis, with such information, approvals and assistance as may be necessary to The Camden Group's work or as The Camden Group may reasonably request, and The Camden Group's personnel assigned to any work hereunder shall not be assumed or deemed to have knowledge of information provided to others, whether external to or within The Camden Group.

### 12. General

**(a)** Coast Life Support District may not use The Camden Group's name or trademarks without our prior written consent.

**(b)** Each party is an independent contractor with respect to the other and shall not be construed as having a trustee, joint venture, agency or fiduciary relationship.

**(c)** Any controversy or claim arising out of or relating to the services or related fees shall first be submitted to voluntary mediation. A mediator will be selected by agreement of the parties, or if the parties cannot agree a mediator acceptable to all parties will be appointed by the American Arbitration Association. The mediation will proceed in accordance with the customary practice of mediation. In the unlikely event that such differences cannot be resolved by mediation, the parties recognize that the matter will probably involve complex business issues that would be decided most equitably by a judge hearing the evidence without a jury. Accordingly, the parties agree to waive any right to a trial by jury in any action, proceeding or counterclaim arising out of or relating to the services and the related fees.

If the above jury trial waiver is determined to be prohibited by applicable law, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city of Los Angeles, CA unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act ("FAA") and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the American Arbitration Association ("AAA"), except that no pre-hearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from AAA, JAMS, the Center for Public Resources or any other internationally or nationally-recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within 15 days of the parties' agreement to terminate or waive mediation, and arbitration will thereafter proceed expeditiously. The arbitration will be conducted before a single arbitrator, experienced in accounting and auditing matters. The arbitrator shall have no authority to award non-monetary, equitable relief and will not have the right to award punitive damages. The award of the arbitration shall be in writing and shall be accompanied by a well-reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Each party shall be responsible for their own costs associated with the arbitration, except that the parties shall equally divide the costs of the arbitrator. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential mediation or arbitration.

**(d)** This Agreement, including its formation and the parties' respective rights and duties, and all disputes that might arise from or in connection with this Agreement or its subject matter shall be governed by and construed in accordance with the laws of California, without giving effect to conflicts of laws rules.

**(e)** This Agreement, including any other incorporated attachments, sets forth the entire understanding between and among the parties regarding the services and supersedes all prior and contemporaneous agreements, arrangements and communications and may not be modified or amended except by the mutual written agreement of both parties. If any portion of this Agreement is held invalid, it is agreed that such invalidity shall not affect any of the remaining portions.