

Indication of Interest

Presented to



Prepared by Adventist Health

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Executive Summary

This Indication of Interest is submitted by Adventist Health System/West (“Adventist Health”) and constitutes a nonbinding expression of interest to partner with Mendocino Coast District Hospital (“MCDH”) serve the community’s healthcare needs. The statements and proposals made by Adventist Health in this Indication of Interest are made without having completed due diligence or having information pertaining to current operations and are intended to be a general description of how Adventist Health believes it could best serve community needs through a successful partnership with MCDH. The proposed arrangement is subject to change based upon further discussions with the District, as well as due diligence by Adventist Health, which are necessary to determine the appropriate scope of services Adventist Health would provide to the community, the organizational structure that would best deliver those services, and the financial commitments Adventist Health would make.

Mendocino County has three hospitals, serving a population of nearly 90,000 community members. The opportunity exists to create deep collaboration and coordination of care for the county for all patients who need acute care services involving emergency care and hospitalizations. By sharing the scarce resources of specialized physicians and providers, our communities will be able to receive more specialized care in our own communities, as opposed to the need to travel outside the county to seek higher level health care services.

Partnership HealthPlan has contracted with Adventist Health to manage the inpatient care of 31,000 Mendocino County residents. By strategically collaborating between the three hospitals in the county, and through coordination of care with additional providers at the FQHCs and additional primary care clinics in our communities, we can improve the health of our residents through proactive care management. This coordinated effort, across the care continuum, will improve the delivery of health care services and ultimately the quality of life of our county residents.

1. Background Information on Adventist Health

a. Business and Hospital Operational Experience

Adventist Health System/West (“Adventist Health”) is a faith-based, nonprofit, integrated health delivery system headquartered in Roseville, California. Our current legal structure was formed in 1980, but many of our hospitals have been in operation for over 100 years. We provide expert, compassionate care in communities throughout California, Oregon, and Hawaii which are grouped into four regions. With the support of more than 24,600 mission-driven employees, 3,700 volunteers, and over 5,000 providers, we operate:

- 21 hospitals with more than 2,900 beds
- More than 280 clinics and outpatient centers
- Over 60 rural health clinics
- 13 home care agencies
- 7 hospice agencies
- 4 joint-venture retirement centers

Southern California Region

- Adventist Health Glendale (Glendale, CA)
- Adventist Health Simi Valley (Simi Valley, CA)
- Adventist Health White Memorial (Los Angeles, CA)

Central California Region

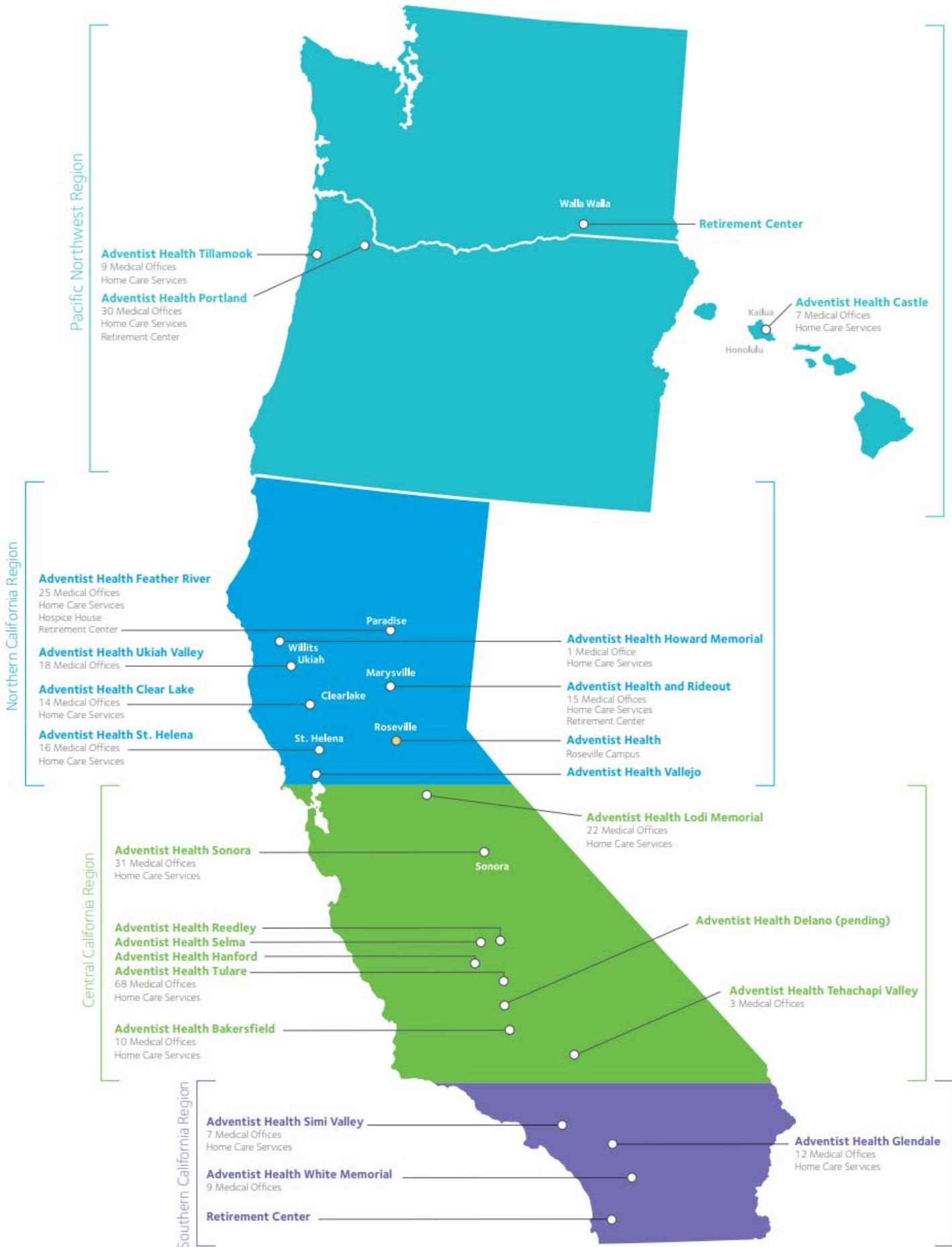
- Adventist Health Bakersfield (Bakersfield, CA)
- Adventist Health Hanford (Hanford, CA)
- Adventist Health Lodi Memorial (Lodi, CA)
- Adventist Health Reedley (Reedley, CA)
- Adventist Health Selma (Selma, CA)
- Adventist Health Sonora (Sonora, CA)
- Adventist Health Tehachapi Valley (Tehachapi, CA)
- Delano Regional Medical Center (Delano, CA) *Pending AG Approval
- Tulare Regional Medical Center (Tulare, CA)

Northern California Region

- Adventist Health Clear Lake (Clearlake, CA)
- Adventist Health Feather River (Paradise, CA)
- Adventist Health Howard Memorial (Willits, CA)
- Adventist Health and Rideout (Marysville, CA)
- Adventist Health St. Helena (St. Helena, CA)
- Adventist Health Ukiah Valley (Ukiah, CA)
- Adventist Health Vallejo (Vallejo, CA)

Pacific Northwest Region

- Adventist Health Castle (Kailua, HI)
- Adventist Health Portland (Portland, OR)
- Adventist Health Tillamook (Tillamook, OR)



b. Organizational Structure and Current Scope of Services

i. Organizational Structure

Adventist Health is a 501(c)(3) religious corporation that is aligned with but not controlled by our sponsor the Seventh Day Adventist Church. Adventist Health has four operating regions as described above. Each region is composed of markets some of which are individual hospitals and some markets are groups of proximal interests. In this specific case MCDH would be part of the Mendocino County market and operate under a common leadership and strategy under Jason Wells the Market President.

Adventist Health has a subsidiary named Stone Point Health. The unique characteristics of each new organization joining Adventist Health determine whether they would be under Adventist Health or the subsidiary Stone Point Health. This is a legal distinction and the difference is not seen or felt at the hospital level.

Each of our hospitals operate as an independent corporation with its own local governing board. The Adventist Health board functions as the legal board for the entire system, but delegates significant powers to the local governing boards. The local governing boards, which are made up primarily of local residents, oversee quality, medical staff, community mission, clinical delivery, operations, and strategy. The president of Adventist Health or his designee serve as the chair of each governing board.

In addition to wholly owned or leased organizations, Adventist Health has a Joint Operating Agreement (JOA) with Oregon Health and Sciences University (OHSU) in Portland, Oregon. We are currently in the process of forming a JOA with St. Joseph Health in Northern California.

ii. Scope of Services

Acute Care: Our acute care hospitals range from full-service teaching hospitals to small rural hospitals. We serve markets in urban areas such as East Los Angeles (Adventist Health White Memorial) and Glendale, CA (Adventist Health Glendale) to small rural communities such as Willits, CA (Adventist Health Howard Memorial).

Many of our hospitals have developed centers of excellence in a variety of services such as cancer, heart and vascular, neuroscience, orthopedics, spine, burn, stroke, bariatric, women's services, joint replacement, wound care, behavioral health, robotic surgery, health and wellness, palliative care, and sleep disorders.

Adventist Health Physicians Network: Adventist Health Physicians Network is our foundation model for physician alignment and currently involves more than 190 physicians. In addition, we have a number of joint ventures and other arrangements that help facilitate beneficial relationships between our facilities and the local medical staff.

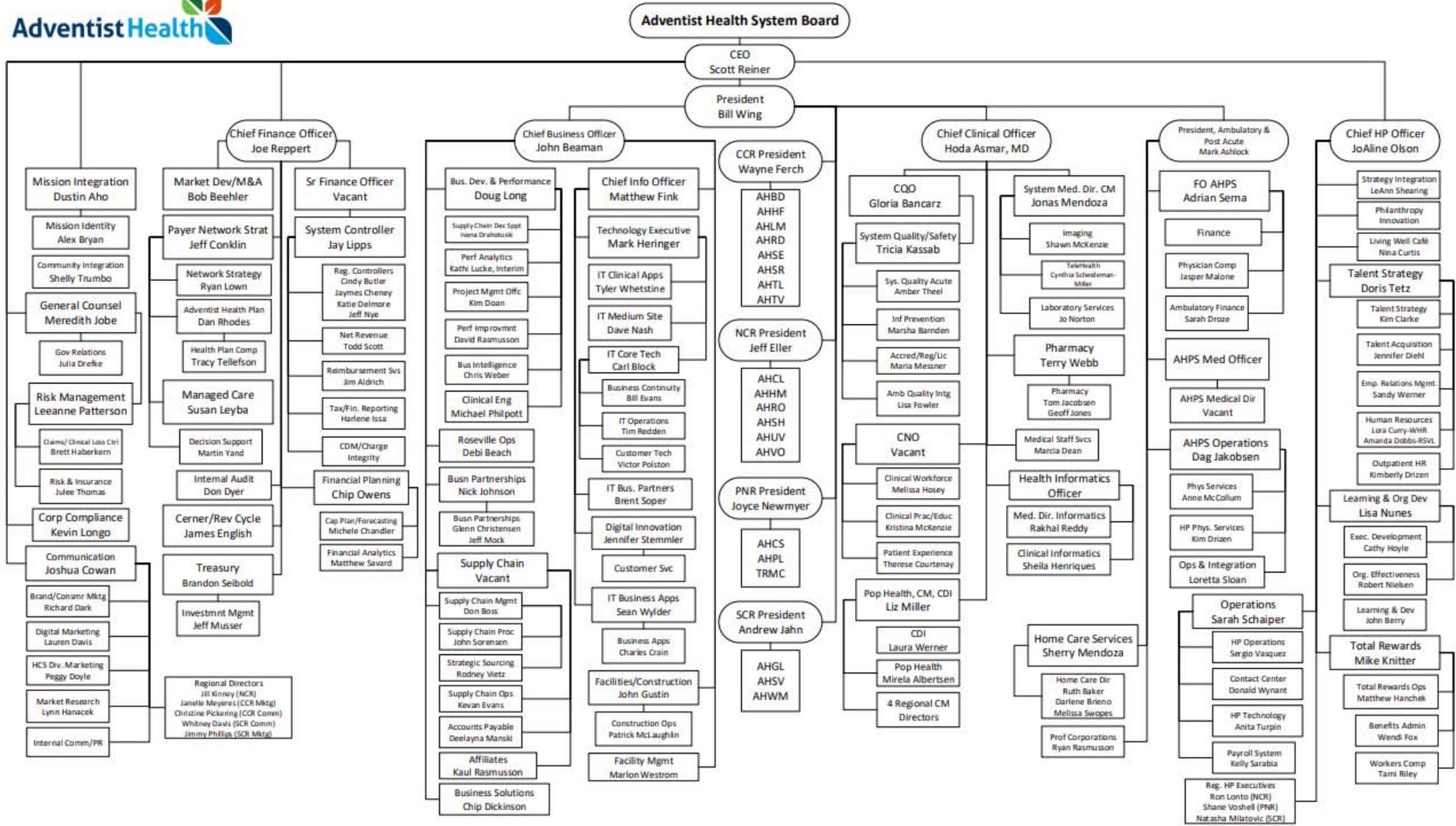
Home Health and Hospice Services: Adventist Health operates 13 home health and 7 hospice agencies. Our focus is to provide best-practice home care services that are fully integrated with the acute care services in a market to care for our patients across the continuum of care.

Rural Health Clinics: We operate one of the largest hospital-based rural health clinic (RHC) networks in the country with more than 60 RHCs. These clinics vary in size from small, one- or two-provider offices to large facilities with primary care, specialty medical care, dental, behavioral health, perinatal and other services. Our clinic network has proved to be invaluable in improving access to care for the underserved by recruiting new physicians to our communities, integrating with our hospital-based medical staffs and improving coordination of care for all members of our communities irrespective of their insurance

coverage. Some of our RHCs have developed innovative programs including chronic pain management and various telehealth services.

This diversity has allowed Adventist Health to develop competencies in providing high-quality clinical care in a variety of settings, but always with the focus of providing holistic care to the entire community. By providing a broad range of services in many different markets, we are able to leverage best practices across the system, leading to improved care in each of our markets.

c. Organizational Information
i. Org Chart



ii. Description of Management

In the past few years, Adventist Health has moved into a more unified operating model known as One Adventist Health. We have centralized many roles into a “shared services” model, leveraging expertise and best practice strategies to be equally deployed at all hospitals and clinic sites, regardless of size or location. There is one Chief Executive Officer for Adventist Health System, one Chief Medical Officer, Chief Nursing Office and Chief Financial Officer. Additional senior executives deployed in communities carry titles of President, Medical Officer, Finance Officer and Patient Care Executive (Nursing Officer). Local executive teams manage the operations of the hospital and the clinics, supported by leadership at the system level for strategic and system wide improvement strategies.

iii. Transaction Experience

Adventist Health has been active in Mission Expansion efforts. In the past five years, we have welcomed Lodi Health (2015), Tehachapi Valley Hospital (2016), Rideout Health in Marysville, California (2018), Tulare Regional Medical Center (2018) into our system, and we have completed an affiliation agreement with Delano Regional Medical Center (2019 – Currently pending California Attorney General approval). In addition, we have a joint operating agreement with Oregon Health Sciences University (OHSU) in Portland, Oregon, as well as a joint operating agreement with Providence St. Joseph Health. This uniquely gives Adventist Health the ability to assure the Mendocino Coast Healthcare District that we have the experience necessary to successfully navigate the affiliation process.

iv. Tax Status

Adventist Health is tax-exempt as a religious nonprofit 501(c)(3) organization. Stone Point Health is a tax-exempt public benefit 501(c)(3) organization.

v. Medical School Affiliations

Adventist Health is committed to teaching the next generation of providers. Our strong academic ties with Loma Linda University School of Medicine and UC San Francisco support our fully-accredited graduate medical education residency programs:

- **Adventist Health White Memorial** was founded in 1913 as a training site for the College of Medical Evangelists, which became Loma Linda University Medical Center. The medical education program develops personal, clinical and professional competency under the guidance and supervision of faculty physicians – many of which trained at White Memorial. Today it has four fully-accredited residency programs in Family Medicine, Internal Medicine, OB/GYN, and podiatry.
- **Adventist Health Glendale.** The Family Practice residency program was established in 1973 and is affiliated with Loma Linda University. The program focuses on community-based care through community health fairs, homeless shelters, free clinics, etc. Its highly qualified, supportive and diverse faculty provide residents with a well-rounded family practice experience.
- **Adventist Health Hanford.** The Hanford Family Medicine Residency Training Program is the first in the Central Valley to be affiliated with Loma Linda University Medical Center and the first residency program in Kings County. Hanford's longitudinal curriculum is designed to mimic the schedule of a rural family medicine physician. Residents will see their continuity patients at the residency's family medicine clinic and specialty clinics at Community Care - Hanford campus. Residents also take OB

calls at the Family Birth Center at Adventist Medical Center - Hanford. Inpatient service call is at Adventist Medical Center - Hanford. Residents will have the opportunity to serve as first assists on surgeries including cesarean sections. Residents will be precepted by the Family Medicine Core Faculty along with other faculty composed of approximately 40 local practitioners and specialists.

- **Adventist Health Reedley.** Hundreds of family medicine physicians, including many in the Central Valley, completed part of their residency training in Reedley, and at the former location in Selma. The residency rotation, which is affiliated with the University of California, San Francisco-Fresno, has been training new family medicine physicians since 1978. Residents see patients at Adventist Medical Center - Reedley, at the Family Birth Center in Reedley, and at the Community Care clinic located inside the hospital.
- **Adventist Health Ukiah Valley.** In 2019, Adventist Health Ukiah Valley started a Family Medicine Residency program which will host 6 residents per year for 3 years, totaling 18 residents when the program is fully developed. The residency rotation, is affiliated with the University of California, Davis. The program's curriculum is designed to provide the residents with the full scope of family medicine that is needed in rural California, including hospitalist, clinic, and obstetric care.

vi. Locations of Facilities – See 1a.

vii. Audited Financial Statements – See Appendix

viii. Description of the basis on which you believe that you have sufficient current and future financial resources to support the payments due under the terms of the proposed transaction and to operate MCDH on a basis which is consistent with the commitments set forth in this RFP.

With an A+ rating from Fitch, Adventist Health has proven its financial stability and strength throughout its long history. With a diversified network of facilities, Adventist Health has positioned itself as an indispensable member of its communities. Based on these factors and our proven track record, Adventist Health has sufficient resources to ensure not only commitment to making lease payments under the proposed transaction and ensuring access to quality care for the community.

ix. Contact Information of Team Members

1. Bob Beehler: Market Development Executive for Adventist Health

BeehleRJ@ah.org / 661.809.5062

2. Jason Wells: President of Adventist Health Ukiah Valley and Howard Memorial

WellsJT@ah.org / 828.782.7888

3. Judson Howe: Operations Executive of Adventist Health Ukiah Valley and Howard Memorial

HoweJH@ah.org / 951.236.3941

4. Jeremy Lemos: Market Development Manager for Adventist Health

LemosJJ@ah.org / 916.406.0943

5. Daniel Steeber (SteebeDT@ah.org): Senior Counsel for Adventist Health

SteebeDT@ah.org / 916.406.1582

x. Description of programs implemented that have changed healthcare in the communities served

Adventist Health serves approximately 31,000 people in Mendocino County in its innovative capitation revenue models. Because of these programs, Adventist Health has introduced street medicine programs focused on delivering health to the underhoused residence of Mendocino. Other additional programs include, AH Live Well, a service focused on providing patients with lifestyle coaching, behavioral health medicine, and opiate alternative pain control strategies.

The Bridge Program in Willits at Howard Memorial provides treatment for those experiencing opioid or heroin withdrawal symptoms. Once patients are treated in the emergency room, they are seamlessly cared for in our outpatient clinic program by a team of caregivers, supporting each patient through a medically assisted treatment withdrawal program.

d. Strategic Planning

Adventist Health has a clear strategic focus of improving the health of our community by partnering with community health providers to enhance access to primary care, executing preventative care strategies, and providing excellent hospital-based services in Mendocino County. This is being achieved by building a community-wide primary care recruitment strategy that creates an attractive practice model and community for physicians to practice. Adventist Health intends to establish a unified leadership structure for the county, which will allow for community and county wide resource coordination. Execution of a county-wide health strategy will enhance the ability of community members to receive top quartile care without leaving the county.

Closer affiliation with MCDH will enhance Adventist Health's ability to deploy its proven preventative health programs which have effectively reduced inpatient utilization in Mendocino County. Adventist Health will be able to better focus acute and ambulatory care in the community of patient residence by deploying targeted resources to the coast, which will allow Adventist Health to shift that patient load to the coast. Additionally, Adventist Health has experience running critical access hospitals with a track record of success.

e. Legal Actions/Inquiries

No current/pending state or federal actions or inquiries that would negatively affect Adventist Health's ability to complete the transaction.

f. Ethical and Religious Directives

Adventist Health does not have restrictions on the provision of reproductive healthcare services that would change the availability of those services from what is available at MCDH today.

2. Structure of the Proposed Transaction

The structure proposed by Adventist Health will be to form a separate 501(c)(3) corporation which will lease the assets of the District for Fair Market Value (FMV). Since the buildings and FFE will remain assets of the district the district would also be responsible to ensure continued regulatory compliance with Seismic codes.

a. Structure and Capital Commitment

Adventist Health, through its subsidiary Stone Point Health, is proposing the following arrangement with the District. In developing this structure, Adventist Health took into account the age of the existing facility, the need for seismic compliance to SPC-3 or higher by 2030, and the cost of making the necessary changes.

Stone Point Health will lease the existing facility from the District at a fair market value lease rate. Stone Point Health's lease payments would be provided to the District in the form of capital improvements to the existing facilities. As the owner of the facility, the District would retain responsibility for achieving seismic compliance by 2030. The District would have discretion on source of funding (bond measure/grants etc.). The lease would be for a total of 30 years with option for Stone Point Health to terminate the lease every 5 years in the event the District is unable to obtain funding or achieve seismic compliance as required by state law.

At some point it may become more attractive to construct new facilities rather than continuing to invest in the old ones. In the event the District builds a new facility, Stone Point Health will contribute up to 25% of the estimated cost in the form of prepaid rent. The District would have discretion on the source of funds for its 75% share, but it is believed that a public bond would be necessary to finance the construction of the new facility. Given the new facility would be built according to all OSHPD requirements, no further capital improvements would be necessary. The lease would be for a total of 30 years, including the initial term, with Stone Point Health holding 2 options to extend the lease for 5 years each. Stone Point Health would have termination rights if the new facility does not receive a certificate of occupancy by January 1, 2029. Stone Point Health would also hold purchase options at fair market value, which would accrue every 5 years.

b. Assumption of Pre/Post Transaction Liabilities

Since a new 501(c)(3) corporation will operate the facility, Stone Point Health will bear the risks of operation and be responsible for post-transaction operational liabilities.

c. Legal Entity for Agreement with MCDH

The transaction would be between the District and Stone Point Health, which is a wholly-owned public benefit subsidiary of Adventist Health. Stone Point Health entities receive the same level of support as those directly controlled by Adventist Health.

d. Board of Directors

Describe the proposed governance structure and the ongoing role of MCDH's current Board.

Each of our hospitals operate as an independent corporation with its own local governing board. The Adventist Health board functions as the legal board for the entire system, but delegates significant powers to the local governing boards. The local governing boards, which are made up primarily of local residents, oversee quality, medical staff, community mission, clinical delivery, operations, and strategy. The president of Adventist Health or his designee serve as the chair of each governing board. Adventist Health would nominate a current District board member to be a member of the local board.

3. Commitments/Objectives

a. Operational Commitments

i. Describe your commitment to operate MCDH as a full-service acute care hospital for the foreseeable future.

As defined in the text of Measure "C", Adventist Health is committed to maintaining access to local emergency services, local doctors and nurses, and other services that are needed by the community. This investment will be augmented by Adventist Health's commitment to providing access to Oncology, Cardiology, Orthopedics, Pulmonology, and other services identified as the most significant community health needs. Given the low Obstetrics utilization at MCDH and the significant costs associated, Adventist Health must seriously evaluate closing OB services in order to focus limited resources on services needed by the community.

ii. Describe the proposed management organization structure for MCDH following the closing of a transaction.

MCDH will share an Executive Team of President, Medical Officer, Finance Officer, and Strategy & Operations Officer with Adventist Health Ukiah Valley and Howard Memorial. On site there will be a local administrative team with oversight of day to day operations.

b. Rights of Reversion

At the end of the lease, the MCDH facilities will revert back to the District unless Adventist Health exercises its option to purchase under the contract terms.

c. Maintenance of Charitable Purpose and Meeting Community Healthcare Needs

Adventist Health is a partner with the local community within all its service areas, within the Mendocino Coast market, Adventist Health Ukiah Valley has maintained a clinic to provide Primary, Pediatric, and Obstetric Care.

d. MCDH Staffing

As of the closing date, all active MCDH employees in good standing will be retained at their existing compensation at substantially similar positions within the organization, and all current MCDH employment agreements will be honored. MCDH employees will retain their current years of service

and vesting in MCDH's or any successor benefit programs. Except for cause, employees will not be laid off or terminated for a period of ninety (90) days post-closing.

e. Clinical Services and Physician Recruiting

- i. Describe your commitment to take steps to ensure, subject to patient choice, all medical services for which there exists financial capability at MCDH will be performed locally rather than at outlying, tertiary care facilities, whether or not owned or controlled by your organization.**

Adventist Health is committed providing local healthcare services to Mendocino County, which will allow our neighbors to receive care close to home. A balanced service line development strategy will consider community needs, volume needed for excellence of programs, and financial viability.

- ii. Describe your commitment to maintaining existing clinical services at MCDH and indicate the minimum timing that you are prepared to make for maintaining such services.**

We are committed to maintaining existing programs on the coast as long as they are safe for patients, match the communities chosen location for the service, and do not compromise the overall financial viability of the hospital.

- iii. Describe any new services you anticipate implementing during the next five years.**

Adventist Health would scale its Emergency Care and Hospitalist programs to all three hospitals in the county providing a coordinating care delivery system with proven improvement to patient quality scores.

Perioperative Services would benefit by access to the additional ORs at MCDH. Increasing aggregate surgery volumes in the county.

Specialty care would scale across the county, including but not limited to, Pulmonology, Orthopedics, ENT, Urology, Medical Oncology, and Cardiology.

- iv. Describe commitment to expend significant financial resources to recruit new physicians to the community and grow MCDH's current complement of clinical services and specify what level of capital commitment you are making to do so.**

Adventist Health would apply its standard compensation and recruiting philosophies to the coast, inclusive of competitive and compliant physician and advanced practitioner wages and would leverage the robust recruiting resources of Adventist Health Physician Services.

- v. Describe which, if any, clinical services may not be maintained at MCDH.**

Continuity of services will be evaluated based upon community need, patient safety, and historic patient service site selection patterns.

f. Clinical Quality Improvement

- i. Describe your commitment to develop and implement a proven plan for clinical quality measurement utilizing national and regional benchmarks and accountability.**

Across all of Adventist Health Hospitals and Ambulatory sites, the system is on a journey towards national benchmarked top quartile performance. This is inclusive of Patient Safety Indicators, Readmission rates, HCAHPS metrics, and other nationally recognized patient quality metrics.

ii. Describe your commitment to develop and implement a proven plan for improvement of the medical staff, nursing staff and non-physician practitioners with corresponding education and training programs, including development and implementation of centers of excellence in specific clinical areas.

All members of Adventist Health clinical teams are provided with opportunity to maintain and advance their respective skillset, through on-site CME, Nurse Education programs, offsite training, proctoring, and other skill maintenance and enhancement opportunities.

g. Capital Improvements

See 2a.

h. Competition and Right of First Refusal

It is unclear how or why Adventist Health, while bearing the economic risk of continued operations could or would compete with itself. In the unlikely event that Adventist Health seeks to sell an asset in MCDH's market during or at the end of this lease the district would be given the first right of refusal.

i. Strategic Vision

Describe the strategic vision you have for your presence and role in Mendocino County. How does MCDH fit into and allow you to achieve that vision? Describe the strategies that are currently beyond the reach of MCDH and that are possible with your involvement to deal with evolving payment systems, including well-designed strategy for Accountable Care and population health management readiness.

Mendocino County has the unique opportunity to coordinate care across the continuum through deep partnerships with Public Health, the FQHCs, additional primary and specialty care clinics, additional specialized care organization and post-acute care services. With all three hospitals in the county coordinating their care through a unified leadership team, the collaboration will enhance services and elevate the quality of care in all three communities.

Our ability to recruit physicians from across the nation will be improved with the scale the multi-hospital system in Mendocino County will provide. Physicians and providers will see the value of the coordinated care delivery model and will find confidence in the stability of the regional health system. This aligned partnership will ultimately drive improved health outcomes and will drive economic development in our region as more of the care that is currently leaving will stay local here in Mendocino County.

Adventist Health in Mendocino County has been on the leading edge of care and revenue transformation by participating in innovative risk capitation initiations with Partnership Health of California. These initiatives are a material part of Adventist Health's overall revenue in Mendocino and align our fiscal objectives with our mission to provide health in our community which reduces

inpatient utilization by shifting care to the outpatient setting. By aligning with MCDH, we enhance our ability to scale our effective population health initiatives to the coast to care for our community members in the most appropriate setting.

MCHC operates a highly regarded ambulance service that serves the coastal region of our county. This new healthcare partnership would allow for MCHC to cover the entire county for inter-hospital transfers of patients within and outside of the county. Leveraging the expertise of MCHC in this service-line will be a significant enhancement to the transportation strategies within Adventist Health in Mendocino County.

Ultimately, this new partnership provides the opportunity to highlight the future of healthcare on a national stage. Mendocino County is on the leading edge of healthcare reform and with all three hospitals collaborating in emergency and inpatient care, we believe we can make a significant improvement in bending the healthcare cost curve, all while improving the health of our entire country. Through deep partnerships with all health care organizations and providers in the region, we can collaborate on a preventative care and chronic disease management strategy which ultimately reduces the need for the volume of hospitalized patients.

Adventist Health is highly engaged in helping ensure that care remains local on the coast and that the care that is delivered today is enhanced with additional specialty services. Ultimately our interest is in growing services on the coast, creating jobs in the local market, and improving the overall health of the community through education, preventative medicine and screening programs for early detection of issues.

The future for Mendocino County is bright.

j. Information Technology

Adventist Health would commit to purchase, implement, and support our standard IT systems, including the installation of Cerner Millennium EHR and our Oracle platforms for HR, Finance, Payroll, and other financial systems. This technology will allow MCDH to fully integrate into the Adventist Health system and provides for greater continuity of care and a high level of clinical excellence.

Appendix

1(b)(i) – Adventist Health Governance (attachment)

1(c)(vii) – 3 years of audited financials (attachment)

1(c)(viii) – Stone Point Structure

