26. Please provide copies of reports of any due diligence review performed by each Transacting Party in relation to the proposed conversion. These reports are to be held by the Attorney General and Department of Health as confidential and not released to the public regardless of any determination made pursuant to R.I. Gen. Laws § 23-17.14-32 and notwithstanding any other provision of the general laws. Please include a description of the plans for ongoing due diligence efforts by the Transacting Parties and their affiliates throughout the proposed conversion review and other regulatory reviews, up to and including the Effective Date.

See attached **Confidential Exhibit 26(a)** for the response from Prime.

The selection of a partner for the Landmark Entities was conducted pursuant to an order issued by the Providence Superior Court in February 2011. (See **Exhibit 1(b)**). This order was carried out by the Court and the Special Master, with assistance of certain consultants. In the February 2011 order, the Court identified a minimum set of specific items to be contained in the bids of interested parties. These in turn constituted the criteria to be used for selection of the winning bidder.

Bid Selection Criteria in Scheduling Order 2/14/11

1	The purchase price;
2	The experience of the Qualified Purchaser in running healthcare facilities, and, if appropriate, financially-distressed healthcare facilities;
3	The capitalization or access to capital of the Qualified Purchaser;
4	The minimum amount of capital that the Qualified Purchaser is willing to contractually commit to the successor LMC and/or RHRI entity(ies) (exclusive of capital dedicated to the purchase price);
5	A five-year pro forma cash flow projection of the successor LMC and/or RHEI entity(ies);
6	The period of time that the Qualified Purchaser is willing to contractually commit not to sell the assets and business or equity interest in LMC if it becomes the successful purchaser; and
7	How the Qualified Purchaser intends to meet the healthcare needs of the community currently serviced by LMC including, without limitation, (i) any services that the Qualified Purchaser anticipates terminating, and (ii) the approximate number of employees that the Qualified Purchaser anticipates retaining.

A copy of the Offering Package sent to bidders is provided in **Exhibit 26(b)** and **Confidential Exhibit 26(b)**, and a summary of the bids is provided in **Exhibit 13**. While the Court, the Special Master and the consultants reviewed and assessed these bids, the Landmark Entities performed

no due diligence or similar investigation, and presented no supplementary information to the Court.

In the February AG/DOH Request, Deficiency 42 requested an update to the information provided above to include the process by which the Special Master chose to execute an Asset Purchase Agreement with Prime. See the response to Question 13 concerning the process the Special Master used in choosing to execute an Asset Purchase Agreement with Prime.

In the February AG/DOH Request, the following information at Deficiency 44 was requested:

Please provide due diligence reports prepared by Prime or explain why no such documents exist and please explain how Prime conducts due diligence without generating reports or their equivalent.

Response:

PHSI did not prepare any due diligence reports. PHSI conducts due diligence by having finance, legal, and operations personnel review material available about a proposed acquisition that is available from the proposed seller and/or publicly available from state agencies, press reports, or other data sources. In this case, PHSI also had access to the Steward asset purchase agreement. After individuals have reviewed the available materials, PHSI convenes a meeting of its senior management team and any involved personnel to discuss their findings and recommendations with respect to a proposed acquisition. Based on these findings and recommendations, the terms of an offer are arrived at and prepared for the subject acquisition. Please note that there are no minutes of senior management team meetings. Please see the response to Deficiency 47 (below) concerning a written summary of the verbal due diligence reports.

PHSI is able to make decisions to acquire hospitals without written due diligence reports because, among other things: (1) PHSI is privately held and the family trusts which hold/held beneficial interests in PHSI have expressed confidence in management's ability to consummate transactions given management's successful track record; (2) PHSI does not rely on outside financing to fund closings; and (3) PHSI has successfully used this model to acquire twenty (20) hospitals during the past ten (10) years and has completed more than $650 Million in transactions using this model. PHSI has never failed to close a transaction as a result of due diligence issues.

The hospitals acquired by PHSI are routinely ranked among the top hospitals in the United States (8 of PHSI's hospitals were ranked among the Top 100 Hospitals in 2013) and PHSI was ranked among the Top 15 Health Systems in the Nation in 2012.

In the February AG/DOH Request, Deficiency 47 requested a written summary of Prime's verbal due diligence reports.

Response:

PHSI conducts due diligence by having finance, legal, and operations personnel review material available about a proposed acquisition that is either available from the proposed seller and/or publicly available from state agencies, press reports, or other data sources. After individuals

have reviewed the available materials, PHSI convenes a meeting of its senior management team and any involved personnel to discuss their findings and recommendations with respect to a proposed acquisition. Meetings and discussions regarding the proposed acquisition of LMC involved legal counsel and involved legal advice regarding the transaction which is protected from disclosure by the attorney-client privilege and the attorney work product doctrine. As a result, PHSI is not able to provide a summary of legal counsel's findings or opinions. Nonetheless, a summary of the findings made by those other than legal counsel is as follows:

- Steward was likely to pull out of the deal because of issues related to Blue Cross, a cancer center, and a community health clinic.
- Steward had advanced approximately $4.5 to $5 Million to the Landmark Entities and was owed this money. Something would have to be done to address the Steward debt.
- Employees at LMC and RHRI were subject to collective bargaining agreements. As part of its prior bid, PHSI had been able to negotiate acceptable terms for a new contract and the labor union was reasonable in its expectations.
- Substantial capital would be required to upgrade the equipment and physical plant at LMC. A $30 Million commitment was not excessive.
- LMC would require a working capital line of credit to replace the Steward loan.
- Blue Cross remained the major health plan and claimed it was owed close to $3 Million by LMC.
- The building in which RHRI was located was not owned by LMC but instead by a third party REIT.
- LMC was in relatively close proximity to Prime Healthcare's Roxborough Memorial Hospital.
- The patient and payor mix at LMC was similar to that seen by PHSI at other hospitals.
- The Special Master would need a certain amount of money to pay mastership expenses.
- Steward's prior terms were not unreasonable.
- The revenue was sufficient to justify the total consideration.
- PHSI should make an offer to acquire the hospitals consistent with the terms set forth in the September 2012 offer.

Per Deficiency 47 of the April AG/DOH Request, Counsel did not distribute documents at the management meetings discussed above and, therefore, there are no documents to include in a privilege log.

Per Deficiency 45 of the February AG/DOH Request, updated market share information as to LMC/RHRI was provided at **Exhibit 53(a)(2)**.

Per Deficiency 46 of the February AG/DOH Request, updated volume information as to LMC/RHRI is provided at **Exhibit 53(f)(2)**.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

May 21, 2013 Filing

7. **Deficiency 47 - As it has been represented that there is no privilege log as requested in this Deficiency, please confirm that you are not withholding any information requested based upon a privilege.**

Response:

It is confirmed that counsel did not distribute documents at meetings when the acquisition of LMC and RHRI was discussed and, therefore, there are no documents to include in a privilege log. No documents are being withheld.

June 14, 2013 Filing

Prime Holdings

No due diligence review was undertaken by Prime Holdings.

PHMI

No due diligence review was undertaken by PHMI.

See responses to this question as to the other Transacting Parties in the April Filing, I-26-1 through I-26-4 and the Exhibits referenced therein.

27. **Please provide copies of reports analyzing affiliations, mergers, or other similar transactions considered by any of the Transacting Parties during the past 3 years, including but not limited to, reports by appraisers, accountants, investment bankers, actuaries, other experts, and any committee investigating the proposed conversion and any and all recommendations from the committee to the board of directors for each of the Transacting Parties and each of its affiliates.**

See attached at **Confidential Exhibit 27** for a report regarding PHSI's consideration of other affiliations, mergers or similar transactions. Prime-Landmark has not considered any other affiliations, mergers or similar transactions as it was created for the purposes of consummating this transaction.

As stated in the Executive Summary, the Landmark Entities have been under the Special Mastership since June 2008. During that time, the Special Master has supervised daily operations of LMC and RHRI, and has been charged with identifying appropriate options for the Landmark Entities, including potential affiliations, mergers or other similar transactions. A primary goal of the Special Mastership has been to achieve financial stability and preserve the important missions of LMC and RHRI. Initially, the Special Master entered into exploratory discussions with other, larger, health care providers in the area that had previously expressed interest in entering into some type of arrangement with the Landmark Entities. While the parties held some preliminary discussions, no offers materialized from those talks, due in part to the national economic crisis. Efforts continued during 2009 and 2010 to find potential partners, but despite discussions with several potential partners, no agreements were reached. (See **Exhibit 13** for summaries of bids received and analyses of the bids.)

Throughout the Special Mastership process, the Landmark Entities, in conjunction with the Special Master, have endeavored to review and understand all viable options, though those reviews may not have necessarily resulted in formal reports analyzing each option. Please see **Exhibits 1(c)** and **1(d)** for the reports that the Landmark Entities and the Special Master commissioned and utilized when reviewing potential transactions.

In the response to Deficiency 48 of the February AG/DOH Request, Prime explained its due diligence process, the process used with LMC, RHRI and with other possible acquisitions. Prime did not prepare any due diligence reports.

Response:

PHSI conducts due diligence by having finance, legal, and operations personnel review material available about a proposed acquisition that is available from the proposed seller and/or publicly available from state agencies, press reports, or other data sources. In this case, PHSI also had access to the Steward asset purchase agreement. After individuals have reviewed the available materials, PHSI convenes a meeting of its senior management team and any involved personnel to discuss their findings and recommendations with respect to a proposed acquisition. Based on these findings and recommendations, the terms of an offer are arrived at and prepared for the subject acquisition. Please note that there are no minutes of senior management team meetings. Please see the response to Deficiency 47 of the February AG/DOH Request (Question 26) concerning a written summary of the verbal due diligence reports.

PHSI is able to make decisions to acquire hospitals without written due diligence reports because, among other things: (1) PHSI is privately held and the family trusts which hold/held beneficial interests in PHSI have expressed confidence in management's ability to consummate transactions given management's successful track record; (2) PHSI does not rely on outside financing to fund closings; and (3) PHSI has successfully used this model to acquire twenty (20) hospitals during the past ten (10) years and has completed more than $650 Million in transactions using this model. PHSI has never failed to close a transaction as a result of due diligence issues.

The hospitals acquired by PHSI are routinely ranked among the top hospitals in the United States (8 of PHSI's hospitals were ranked among the Top 100 Hospitals in 2013) and PHSI was ranked among the Top 15 Health Systems in the Nation in 2012.

An updated list of hospitals that Prime considered acquiring was provided at **Confidential Exhibit 27** in response to Deficiency 49 of the February AG/DOH Request. In response to Deficiency 49 of the April AG/DOH Request, this list is up-to-date.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

Prime Holdings has no reports. See April Filing, I-27-1 through I-27-2 and the Exhibit referenced therein, as to the other Transacting Parties.

PHMI

PHMI has no reports. See April Filing, I-27-1 through I-27-2 and the Exhibit referenced therein, as to the other Transacting Parties.

D. CHARITABLE ASSETS

28. Please provide copies of all documents related to:

(a) Identification of all charitable assets;

(b) Accounting of all charitable assets for the past 3 years;

(c) Distribution of the charitable assets including, but not limited to, endowments, restricted, unrestricted and specific purpose funds as each relates to the proposed transaction; and

(d) Please list all current donations that include naming privileges relating to the donation.

In response to Deficiencies 50 through 54 of the February AG/DOH Request, the following responses replaced the responses previously submitted.

The February AG/DOH Request asked for updated information regarding the information provided in response to Question 28.

Response:

All information has been updated.

Prime-Landmark and its parent, PHSI, are for profit organizations and have no charitable assets.

(a) For the identification of the Landmark Entities' charitable assets, please see response to Question 50.

(b) Please see attached **Exhibit 28(b)(1)**, representing LMC's Endowment Fund that included funds from the Higgins Trust, to be used to pay balances for children whose parents were uninsured and had no other means to pay for care. This account closed in April, 2012.

Please see attached **Exhibit 28-(b)(2)**, showing LMC's restricted funds, i.e., donated funds for which the donor designates a specific use for the funds.

Please see **Exhibit 28(b)(3)**, showing LMC's unrestricted funds, i.e., funds that are given without any designation as to a specific use.

(c) Please see attached **Exhibit 28(c)**, showing LMC's "released from restricted funds." "Released from restricted" refers to all expenses associated with certain specific funds: HRSA; the Cancer Center and the Heart Center.

(d) None

June 14, 2013 Filing

Prime Holdings

Prime Holdings is a for-profit corporation and has no charitable assets.

PHMI

PHMI is a for-profit corporation and has no charitable assets.

For a response as to LMC's charitable assets, see April Filing, I-28-1 and the Exhibits referenced therein.

29. **Please provide copies of documents or descriptions of any proposed plan for any entity to be created for charitable assets, including but not limited to, endowments, restricted, unrestricted and specific purpose funds, the proposed articles of incorporation, by-laws, mission statement, program agenda, method of appointment of board members, qualifications of board members, duties of board members, and conflict of interest policies.**

The Transacting Parties do not intend to create a tax-exempt organization for the purposes of holding charitable assets.

It is the plan and intention of LMC and RHRI to transfer any and all currently held specific purpose and restricted funds to the Rhode Island Foundation for management and utilization of those funds in accordance with the designated purpose/restriction. The Rhode Island Foundation will provide the mechanism to effectuate that transfer. Please see **Exhibit 30** for more information regarding such funds.

June 14, 2013 Filing

Prime Holdings

Prime Holdings is a for-profit corporation and has no charitable assets.

PHMI

PHMI is a for-profit corporation and has no charitable assets.

For a response as to LMC's charitable assets, see April Filing, I-29-1 and the Exhibit referenced therein.

30. Please provide the following information regarding all donor restricted gifts received by the Transacting Parties and their affiliates and attach copies of any legal documents that created each gift:

Date of Gift	Name of Gift/ Instrument	Restriction(s)	Value of Gift at time of Gift	Current Value of Gift

PHSI and Prime-Landmark are for profit entities and do not receive donor restricted gifts.

See **Exhibit 30** as to LMC.

In the February AG/DOH Request, Deficiency 55 requested copies of legal documents relating to charitable gifts. LMC has legal documentation only for the JR Higgins Residuary Trust. See **Exhibit 30** for legal documentation relating to that Trust.

Please see attached **Exhibit 30**, updated in response to Deficiency 56 of the February AG/DOH Response, showing contributions through June, 2012 after which no contributions were made.

June 14, 2013 Filing

Prime Holdings

Prime Holdings is a for-profit corporation and has no charitable assets.

PHMI

PHMI is a for-profit corporation and has no charitable assets.

For a response as to LMC's charitable assets, see April Filing, I-30-1 and the Exhibit referenced therein.

31. Please provide a *Cy Pres* Petition for the proposed conversion(s) of affiliate hospitals, other affiliate 501(c)(3) entities, and all that will be affected by the proposed conversion.

See **Exhibit 31** for *Cy Pres* Petition. The prior *Cy Pres* Petition is also included.

June 14, 2013 Filing

Prime Holdings

Prime Holdings is a for-profit corporation and has no charitable assets.

PHMI

PHMI is a for-profit corporation and has no charitable assets.

For a response as to LMC's charitable assets, see April Filing, I-31-1 and the Exhibit referenced therein.

E. CHARITY CARE

32. Please provide the following information:

(a) A list of uncompensated care provided over the past 3 years by each facility which the for-profit corporation maintains an interest ownership or controlling interest or operating authority and a description as to how that amount was calculated;

See **Exhibit 32(a)** for PHSI hospitals.

(b) A description of charity care and uncompensated care provided by the existing hospital(s) for the previous 5 year period to the present, including a dollar amount and a description of services provided to patients;

See **Exhibit 32(b)** for LMC & RHRI.

(c) A description of bad debt incurred by the existing hospital(s) for the previous 5 years for which payment was anticipated but not received.

See **Exhibit 32(b)** for LMC and RHRI.

(d) Identify the reasons for any discrepancies between responses to sections (a) through above, if any.

Not applicable.

In the AG/DOH February Request, Deficiency 61 asked:

Also please explain how there is $0 charity care/bad debt reflected for certain hospitals in the response to Question 32 (a).

Response:

Exhibit 32(a) of the Application represents the charity care and bad debt figures for those periods of time when the hospital was owned by subsidiaries of PHSI and/or Prime Healthcare Services Foundation, Inc. For example, the charity care and bad debt for Alvarado Hospital in 2009 was $0 because the hospital was not acquired until 2010. The same holds true for any other $0 amounts.

See **Exhibit 32(a)** attached hereto.

The response to Question 32 above was revised in response to Deficiencies 58-61 of the February AG/DOH Request and 58 and 59 of the April AG/DOH Request which included, for clarity, correcting Question references in the Deficiencies and the responses.

June 14, 2013 Filing

Prime Holdings

Prime Holdings does not own or control any hospital and, therefore, this question is not applicable.

PHMI

PHMI does not own or control any hospital and, therefore, this question is not applicable.

See April Filing, I-32-1 and the Exhibits referenced therein, as to LMC, RHRI and the PHSI hospitals.

33. Please provide a description of the plan as to how the Transacting Parties and their affiliates will provide community benefit and charity care during the first 5 years of operation after the proposed transaction is completed.

Prime-Landmark will develop a Community Benefits Advisory Council that will include hospital leaders and community representatives. This Council will develop a community benefits mission statement, setting forth a planned commitment to provide resources to support the implementation of its annual community benefits plan.

Prime-Landmark will conduct a comprehensive community health needs assessment for those communities within the hospitals' primary service areas. This assessment will review unmet health needs of the communities by analyzing community input, available public health data, and an inventory of existing programs. After the assessment is complete, the Council will develop a community benefits plan that identifies target populations, specific programs and activities that address the identified assessment, and measurable short-and long-term goals for each program.

Each year, a report, made available to the public, will describe the ascribed community benefit programs, including those goals, outcomes, and expenditures.

In addition, charity care will continue to play a role in the care delivered at LMC and RHRI under Prime-Landmark's ownership. Currently, LMC and RHRI have charity care policies in place, as required by Rhode Island law. Prime-Landmark will establish charity care policies in compliance with applicable Rhode Island law.

June 14, 2013 Filing

Prime Holdings

See response at April Filing, I-33-1.

PHMI

See response at April Filing, I-33-1.

34. Please provide a description of how the Transacting Parties and their affiliates will monitor and value charity care services and community benefit after the proposed transaction is completed.

The annual community benefits plan and report will be made publicly available on the LMC's websites, and will be regularly monitored by a community benefits advisory council and hospital leadership. The local governing board for LMC and RHRI will receive annual reports on the actions of the community benefits advisory council.

June 14, 2013 Filing

Prime Holdings

See response at April Filing, I-34-1.

PHMI

See response at April Filing, I-34-1.

F. COMPENSATION

35. Please provide the names of persons currently holding a position as an officer, director, board member, or senior level manager who will or will not maintain any position with the new hospital and whether any said person will receive any salary, severance, stock offering or any financial gain, current or deferred, as a result of or in relation to the proposed conversion, including but not limited to, the individual's job description, employment or other contract or agreement to provide services under this corporate title, and total compensation, including, but not limited to, salary, benefits, expense accounts, membership, 401K, retirement plans, contribution agreements, benefit agreements and any other financial distributions of any kind, including deferred payments or compensation.

Jonathan N. Savage, Esq., in his capacity as the court-appointed Special Master, currently serves in place of the Board of Directors and officers of LMC and RHRI. Mr. Savage will not maintain any position with Prime or any affiliate after the proposed conversion and Mr. Savage will not receive any salary, severance, stock offering or any financial gain, current or deferred, as a result of or in relation to the proposed conversion, except what he is entitled to in his capacity as Special Master and as approved by the Court.

Prime will not pay any salary, severance, stock offering, or any other sort of financial consideration to any officer, director, board member, or senior level manager as a result of or in relation to the proposed conversion.

The list of LMC/RHRI senior level managers was included with the response to Deficiency 62 of the February AG/DOH Request:

Name	Address	Occupation	Entity
Richard Charest	19 Lincoln Drive, North Smithfield, RI 02896	President	LMC & RHRI
Charlene Elie	155 Bryn Mawr Ave, Auburn, MA 01501	Chief Nursing Officer	LMC
Glen Fort, MD	69 Highland Avenue Warwick, RI 02886	Chief Medical Officer	LMC
Thomas Klessens	4 Nottingham Road, Tynsboro, MA	Chief Financial Officer	LMC
Colleen Ryan	107 South Street, Foxborough, MA 02395	CIO and VP Professional Services	LMC
Demetra Ouellette	20 Dover Circle, Franklin, MA 02038	Chief Operating Officer	RHRI
Jorge Mayoral, MD	315 Old River Road #15, Lincoln, RI 02865	Chief Medical Officer	RHRI
Kathy Keeling	131 Howard Avenue, Pascoag, RI 02859	Director of Nursing	RHRI

Prime-Landmark will name its management team at LMC and RHRI well in advance of the effective date of the conversion. Prime has not entered into any severance or other contracts with any of the above.

The April AG/DOH Request, Deficiency No. 62 asked:

Please update this response on behalf of PHSI and/or Prime Healthcare Management, Inc. by providing names of persons currently holding positions as senior level managers who will or will not maintain positions with the new hospital.

Response:

Name	Role at PHSI/PHM	Role at New Hospital
Prem Reddy, M.D., FACC, FCCP	Chairman, President & CEO	Dr. Reddy will serve as Chairman of Prime-Landmark
Mike Sarian	President, Operations I	Mr. Sarian will not serve in any role at Prime-Landmark
Luis Leon, PA-C	President, Operations II	Mr. Leon will not serve in any role at Prime-Landmark
Harsha Upadhyay	Vice-President of Clinical Operations	Mr. Upadhyay will not serve in any role at Prime-Landmark
R. David Grant	Interim General Counsel, Secretary	Mr. Grant will serve as Secretary of Prime-Landmark

June 14, 2013 Filing

Prime Holdings

Dr. Prem Reddy, sole director and officer, will serve as Chairman of Prime Landmark and on the Governing Board of LMC and RHRI.

PHMI

Name	Role at PHSI/PHMI	Role at New Hospital
Prem Reddy, M.D., FACC, FCCP	Chairman, President & CEO	Dr. Reddy will serve as Chairman of Prime Landmark; Dr. Reddy will serve on the Governing Board of LMC and RHRI

Mike Sarian	President, Operations I	Mr. Sarian will not serve in any role at Prime Landmark
Luis Leon, PA-C	President, Operations II	Mr. Leon may serve on the Governing Board of LMC and RHRI
Harsha Upadhyay	Vice-President of Clinical Operations	Mr. Upadhyay will not serve in any role at Prime Landmark
Sharyn Alcarez	General Counsel, Secretary	Ms. Alcarez will serve as Secretary of Prime Landmark

(Chart as updated from the April Filing, I-35-2)

See April Filing, I-35-1 through I-35-2 regarding the other Transacting Parties.

36. **Please provide a copy or description of all agreements or proposed agreements reflecting any current and/or future employment or compensated relationship between the acquired (or any related entity) and any officer, director, board member, or senior level manager of the acquiree (or any related entity). Included in this response, please also provide a schedule that clearly demonstrates the historical compensation for the prior 3 years for these individuals as well as the projected compensation extending out 2 years with and without the proposed transaction being approved and/or completed.**

Prime does not maintain any agreements or proposed agreements reflecting any current and/or future employment or compensated relationship with any officer, director, board member or senior level manager of LMC or RHRI.

June 14, 2013 Filing

Prime Holdings

No Prime entity maintains any agreements or proposed agreements reflecting any current and/or future employment or compensated relationship with any officer, director, board member or senior level manager of LMC or RHRI.

PHMI

No Prime entity maintains any agreements or proposed agreements reflecting any current and/or future employment or compensated relationship with any officer, director, board member or senior level manager of LMC or RHRI.

37. Intentionally omitted.

38. **Please provide any and all severance packages, contracts or any other documents relating to same, given, negotiated or renegotiated with any employee or former employee of the Transacting Parties and their affiliates for the prior 3 years from the date of the application through the present. Please include in your response any agreements to provide consulting services and/or covenants to not compete following completion of the proposed conversion as well as the existing ERISA benefit plan and severance agreements or arrangements.**

The Landmark Entities are not parties to any such agreements.

Neither Prime-Landmark nor PHSI is a party to any such agreement.

As to PHSI's affiliated hospitals and Prime Healthcare Management, Inc., see **Confidential Exhibit 38.**

The April AG/DOH Request, Deficiency 63 asked:

Please confirm that Prime Healthcare Services, Inc. has no employees.

Response:

PHSI has no employees. Officers and Senior Managers are employed by Prime Healthcare Management, Inc.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

Prime Holdings is not a party to any such agreements.

PHMI

See April Filing, I-38-1 and **Confidential Exhibit 38**, LPHCA/I-C 03120-03145.

See April Filing, I-38-1 as to the other Transacting Parties.

39. Please provide a copy of proposed contracts or description of proposed arrangements with senior managers, board members, officers, or directors of the existing hospital for severance, consulting services or covenants not to compete following completion of the proposed conversion.

The Transacting Parties have no such proposed contracts or arrangements.

June 14, 2013 Filing

Prime Holdings

None of the Transacting Parties, including Prime Holdings, has any such proposed contracts or arrangements.

PHMI

None of the Transacting Parties, including PHMI, has any such proposed contracts or arrangements.

40. Please provide an itemization of all loans outstanding and their current balances, given, and/or forgiven in the last 3 years to any executive, employee or consultant of the Transacting Parties and/or their affiliates, including the terms of such loan.

The Transacting Parties and their affiliates have no outstanding loans with any executive, employee or consultant, have not entered into any such loans within the last 5 years and have not forgiven any such loans within the last 5 years.

June 14, 2013 Filing

Prime Holdings

The Transacting Parties, including Prime Holdings, and their affiliates have no such loans.

PHMI

The Transacting Parties, including PHMI, and their affiliates have no such loans.

41. Please provide a copy of the resignations of any directors, board members, senior managers, and officers of each of the Transacting Parties and/or their affiliates within one year.

LMC/RHRI

Lisa Zapatka resigned as Chief Nursing Officer of LMC on or about April 13, 2012.

Matthew Cotti resigned as Chief Financial Officer of LMC on or about July 17, 2012

Robert Crausman, MD resigned as Chief Medical Officer of LMC on or about November 23, 2012.

Keith Rafal, MD resigned as Chief Medical Officer of RHRI on or about February 28, 2012.

Jorge Mayoral, M.D. resigned as Chief Medical Officer of RHRI. Notwithstanding the date in his resignation letter, Dr. Mayoral's resignation is effective April 30, 2013.

All available correspondence regarding the resignations of Dr. Crausman, Dr. Rafal, Ms. Zapatka and Dr. Mayoral is provided at **Exhibit 41(a)**.

Prime

Lex Reddy, President, CEO, PHSI
Roger Krissman, CFO, PHSI
Suzanne Richards, RN, Chief Clinical Officer, PHSI
Michael Sarrao, General Counsel, Prime Healthcare Management
Todd Mann, CEO, Harlingen Hospital
Harvey Torres, CFO, Harlingen Hospital
Darlene Wetton, COO, Alvarado Hospital
Sandra Bowen, CFO, Shasta Hospital
Carol Austin, DNO, Desert Valley Hospital
Sylvia Ventura, CNO, Centinela Hospital

Resignation letters for Carol Austin, Darlene Wetton, Harvey Torres, Michael Sarrao, Roger Krissman and Suzanne Richards are attached at **Exhibit 41(b)**. In response to Deficiency 64, no other resignation letters or other correspondence are on file for the individuals above.

June 14, 2013 Filing

Prime Holdings

Prime Holdings has no employees and, therefore, no resignations. No director or officer resigned.

PHMI

Michael Sarrao, General Counsel, resigned from PHMI. His resignation is appended to the April Filing, **Exhibit 41(b)**, LPHCA/I 02382. R. David Grant, General Counsel, also resigned. See **Exhibit 41(b)**.

For resignations from other Transacting Parties and their affiliates, see April filing I-41-1 and the Exhibits referenced therein.

42. Intentionally omitted.

G. FINANCIAL

43. (a) Please provide copies of audited income statements, balance sheets, other financial statements, and management and discussion letters for the past 3 years, audited interim financial statements and income statements, together with a detailed description of the financing structure of the proposed conversion including equity contribution, debt restructuring, stock issuance, partnership interests, stock offerings and the like, and unaudited financial statements (where audited financial statements are unavailable); and

Audited financial statements for PHSI for the periods ending December 31, 2009, December 31, 2010, and December 31, 2011 and unaudited interim financial statements for the period ending December 31, 2012 for PHSI are attached as **Confidential Exhibit 43(a)**. Also at **Confidential Exhibit 43(a)** are the unaudited financial statements for PHSI for the period ending February 28, 2013. Although requested in Deficiency 64 of the April AG/DOH request, Prime does not have any management letters. Prime-Landmark does not yet have financial statements. The financing structure for the proposed conversion is 100% equity. PHSI will contribute equity to Prime-Landmark in an amount sufficient to fund 100% of the transaction.

See attached **Exhibit 43(a)(1)** for the audited financial statements of LMC and RHRI. Attached as **Exhibit 43(a)(2)** are the FY12 unaudited financials of LMC and RHRI. Also at **Exhibit 43(a)(2)** are the January, 2013 (most recent) internal financial statements, as requested in Deficiency 64 of the April AG/DOH Request. Management letters for LMC and RHRI are appended at **Exhibit 43(a)(3)**.

(b) In addition, please include any and all assessments, reports or evaluations, financial or otherwise, of the Transacting Parties and/or their affiliates performed in anticipation of any proposed affiliation, purchase, merger, or other such transaction for the prior 3 fiscal years, by whomever prepared (internal or external experts or consultants, or in combination), including, but not limited to, analyses of financial strengths, weaknesses and/or viability;

As stated in the Executive Summary, the Landmark Entities have been under the Special Mastership since 2008. During that time, the Special Master has been charged with identifying appropriate options for the Landmark Entities, including potential affiliations, mergers or other similar transactions. Throughout the process, the Landmark Entities, in conjunction with the Special Master, have endeavored to review and understand all viable options, though those reviews may not have necessarily resulted in formal reports analyzing each option. Please see **Exhibits 1(c)** and **1(d)** for the reports that the Landmark Entities and the Special Master commissioned and utilized when reviewing potential transactions.

In the February AG/DOH Request, in response to Deficiency 66, Prime explained why Prime has no documents responsive to Question 43(b):

Response:

Prior to June 2010, Dr. Prem Reddy was the sole director of PHSI and no board meetings were held. After June 2010, PHSI had directors who approved transactions and were provided

summaries of each transaction for their consideration. Attached at **Confidential Exhibit 43(b)** are copies of those summaries.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

May 13, 2013 Filing

19. Please provide audited financial statements for each of the past three (3) years for Prime Healthcare Holdings, Inc., and Prime Healthcare Management, Inc.

Response:

See **Confidential Exhibit 43(c)** for Prime Healthcare Management, Inc. ("Prime Management") tax returns for 2009, 2010 and 2011. Financials for this entity are included within Prime's 2012 Consolidated Audited Financials at **Confidential Exhibit 43(a)** ("2012 Financials").

Note 2 on Page 9 of the 2012 Financials explains why Prime Management is included. Note 2 explains that PHSI is the primary beneficiary of Prime Management because PHSI has the power to direct activities that most significantly impact the economic performance of Prime Management. This means that PHSI determines whether each of its subsidiaries will become a party to a management services agreement with Prime Management and, as Prime Management does not contract with entities other than the Prime hospitals, Prime Management's economic performance depends on PHSI's decisions.

In light of recent discussions concerning whether Prime Management should be a "Transacting Party," the concern has always been that Prime Management somehow would control Prime-Landmark's hospitals. Here is evidence that Prime Management does not control PHSI. As noted on Note 2 at page 10, "the consolidation of [Prime Management on the 2012 Financials] does not change any legal ownership. . ." Moreover, it remains the case, as described fully in the May 8, 2013 Memorandum **(Exhibit 1(f))**, that Prime Management exercises no control over Prime-Landmark's hospitals, whether organizationally, contractually or otherwise.

Accordingly, Prime Management, whether by ownership or control, would not be considered an "acquiror" under the Hospital Conversion Act and, therefore, should not be deemed a "Transacting Party."

Prime Healthcare Holdings, Inc. does not maintain financials. See **Confidential Exhibit 43(d)** for 2010 (year of formation) and 2011 tax returns.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

(a) No financials are produced for Prime Holdings. In the May Filing, tax returns were included at **Confidential Exhibit 19(c)**, LPHCA/M-C-00336-01339.

PHMI

(a) PHMI's financials are included in PHSI's consolidated statements, provided in the April Filing at **Confidential Exhibit 43(a)**, LPHCA/I-C 03146-03266. See also the May Filing **Confidential Exhibit 19(a)**, LPHCA/M-C-00116-00296, **Confidential Exhibit 19(b)**, LPHCA/M-C-00297-00335 for PHMI's tax returns and PHSI's 2012 audited financial statements (which include PHMI), respectively.

Prime Holdings

(b) Prime Holdings has no such reports.

PHMI

(b) PHMI has no such reports.

See April Filing, I-43-1 through I-43-2 and the Exhibits referenced therein, as to the other Transacting Parties.

44. Please provide a detailed description of the real estate involved in the Proposed Transaction including:

(a) Title reports for land owned and leased agreements concerning the proposed conversion for all properties owned, leased, or used by each Transacting Party and its affiliates within the last 3 years;

(b) The address for each property;

(c) All lease agreements concerning the proposed conversion; and

(d) Any and all documents related to the proposed sale or development of property owned by the Transacting Parties and/or their affiliates.

(a) All available title reports are appended at **Exhibit 44(a)**.

(b) The address and description of the property is as follows:

Address	Occupancy	Square Feet	Landlord	Tenants	Comments
115 Cass Avenue, Woonsocket, RI 02895	Hospital	216,000	Landmark Medical Center	None	
176-206 Cass Avenue, Woonsocket, RI 02895	Plaza Offices	24,386	See Below	See Below	
206 Cass Avenue, Woonsocket, RI	LMC Physician Offices	5,800	Wellington Retail, LLC	Landmark Medical Center	
176-196 Cass Avenue, Woonsocket, RI 02895	Finance Offices, Heart Center	18,586	Wellington Retail, LLC	Landmark Medical Center	176 Cass Avenue subleased to Tilak Verma, M.D.
219-225 Cass Avenue, Woonsocket, RI 02895	219 Cass Avenue MOB	9,670	Landmark Medical Center		
219 Cass Avenue, Suites A,B, and C	Ocean State Pain Management	2,888	Landmark Medical Center	Ocean State Pain Mgt.	
219 Cass Avenue, Suite E	Dr. Cunanan	876	Landmark Medical Center	Manuel Cunanan, D.M.D., Inc.	
219 Cass Avenue, Suite F	Vacant	1,197			

Address	Occupancy	Square Feet	Landlord	Tenants	Comments
219 Cass Avenue, Suite G		720	Landmark Medical Center		
219 Cass Avenue, Suite H	Vacant	1,109			
219 Cass Avenue, Suite J	Dr. Khan	932	Landmark Medical Center	Faridoon Khan, M.D.	
219 Cass Avenue, Suite D	LMC Purchasing	862	Landmark Medical Center	LMC Purchasing	
219 Cass Avenue, Suite K	LMC Public Relations	1,086	Landmark Medical Center	LMC Public Relations	
116 Eddie Dowling Highway, North Smithfield, RI 02896	Rehabilitation Hospital	92,944	Medistar, LLC	RHRI & LMC	
355 Cass Avenue, Woonsocket, RI 02895	Parking Lot	26 spaces	Landmark Medical Center	Dr. Paul Koch	
63 Eddie Dowling Highway, North Smithfield, RI 02896	MOB Space	1,200	William Gasbarro	OB/GYN Practice	
115 Cass Avenue, Woonsocket, RI 02895	Hematology Oncology Space- Dr. Nadeem	1,950	Southern New England Regional Cancer Center, LLC	Landmark Medical Center	
20 Cumberland Hill Road, Woonsocket, RI 02895	Landmark Drawing Station (Lab)	923	Woonsocket Medical Center	Landmark Medical Center	
501 Great Road, No. Smithfield, RI 02896	Allison McAleer (Surgeon)	1,500	Michael Luke, M.D.	Landmark Medical Center	
6 Blackstone Valley Place, Lincoln, RI 02865	Deborah Hayden, M.D. (OB-GYN)	4,000	Jan Penkala, M.D.	Landmark Medical Center	

(c) Prime-Landmark will assume all LMC and RHRI leases at the Closing. All leases are appended at **Exhibit 44(c)**.

(d) There are no current plans to sell or develop any real estate involved in the proposed conversion.

The April AG/DOH Request, Deficiency 67 asked for updated title reports:

Response:

It is anticipated that title reports will be prepared prior to closing.

June 14, 2013 Filing

Prime Holdings

See April Filing, I-44-1 through I-44-3 and the Exhibits referenced therein, as to LMC/RHRI's real estate.

PHMI

See April Filing, I-44-1 through I-44-3 and the Exhibits referenced therein, as to LMC/RHRI's real estate.

45. Please provide a detailed description as each relates to the proposed transaction for equipment leases, insurance, regulatory compliance, tax status, pending litigation or pending regulatory citations, pension plan descriptions and employee benefits, environmental reports, assessments and organizational goals.

Equipment Leases: Pursuant to the terms of the Prime-Landmark Asset Purchase Agreement, Prime-Landmark will evaluate all contracts that are currently in place at LMC and RHRI, including equipment leases. Prime-Landmark will obtain alternative vendors for the post-closing needs of LMC and RHRI, in the event that Prime-Landmark does not desire to continue certain equipment leases post-closing.

Insurance: PHSI will add LMC and RHRI to its current property and auto insurance policies. LMC and RHRI will be added to PHSI's general and professional liability insurance for periods on and after the effective date and a tail policy may be procured to address pre-closing events that are not reported as of the Closing.

Regulatory Compliance: Prime's initial assessment is that LMC and RHRI are in material and substantial compliance with all regulatory requirements. There are no reports regarding such assessment. Prime anticipates that when it begins capital improvements there may be a need to bring certain areas "up to code" given the age of the physical plant. Following the proposed conversion, LMC and RHRI will comply with all applicable State and Federal regulations.

Tax Status: As a part of the proposed conversion, the tax status of the facilities will change from non-profit to for-profit.

Pending Litigation or Pending Regulatory Citations: Pursuant to the terms of the Prime-Landmark Asset Purchase Agreement, Prime-Landmark is not purchasing any liabilities arising out of or relating to the conduct or operations of the business prior to the Effective Date. Any pending litigation or regulatory citations will be dealt with directly by LMC and RHRI prior to closing. As provided pursuant to the February AG/DOH Request in response to Deficiency 70, see **Confidential Exhibit 45** for LMC/RHRI insurance carrier reports from Norcal and Chartis.

Pension Plans: Per Section 5.20 of the Prime-Landmark Asset Purchase Agreement, the current pension plan will be terminated. Post-closing, Prime-Landmark will offer employees of LMC and RHRI a 401(k) plan consistent with that of other affiliate hospital employees. Those employees covered by collective bargaining agreements will receive the benefits provided for in the collective bargaining agreement.

Employee benefits: As updated in response to Deficiency 71 of the February AG/DOH Request, post-closing, Prime-Landmark will offer the employees of LMC and RHRI the same or comparable benefits, subject to employee contributions to be determined. The Memorandum of Understanding entered into with Northern Rhode Island United Nurses and Allied Professionals, Local 5067, along with the applicable collective bargaining agreements are included at **Confidential Exhibit 72**.

Environmental reports: Prime has retained third parties to perform environmental surveys and reports for the Landmark Entities. As updated in response to Deficiency 72 of the February

AG/DOH Request, no environmental reports have as yet been undertaken but it is anticipated that they shall commence within thirty (30) days.

Assessments and organizational goals: The main goal is to maintain a community hospital of vital importance to the residents of the hospitals' communities, while also improving the care provided and the overall stability of the hospitals through the knowledge and expertise of PHSI. The Landmark Entities will benefit from PHSI' expertise in providing quality patient care as evidenced by its recognition as a Top 15 Health System in the Nation.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

See April Filing, I-45-1 through I-45-2 and the Exhibits referenced therein, for a response to this question.

PHMI

See April Filing, I-45-1 through I-45-2 and the Exhibits referenced therein, for a response to this question.

46. Please provide copies of IRS Form 990 for any Transacting Party and its affiliates required by federal law to file such a form for each of the 3 years prior to the submission of the application.

PHSI and Prime-Landmark are not required to file IRS Form 990.

See attached **Exhibit 46(a)** for the Landmark Entities' filings.

In response to the February AG/DOH Request, the Landmark Entities provided the August 15, 2012 extension for FY2011, along with other pertinent extensions. See **Exhibit 46(b)**. Note that several extensions have no signatures. Per the Landmark Entities' accountant, no signatures are required.

June 14, 2013 Filing

Prime Holdings

Prime Holdings is not required to file IRS Form 990.

PHMI

PHMI is not required to file IRS Form 990.

See April Filing, I-46-1 and the Exhibits referenced therein, as to LMC.

47. **Please provide a description and quantification of the outstanding debts of acquiree and/or their affiliates, both between and among acquiree and/or their affiliates, including, but not limited to:**

(a) The plans for disposition of each such debt if the proposed conversion is approved; and

(b) A list of any indebtedness acquirer and/or their affiliates could forgive, extinguish, or otherwise write-off for acquiree and/or their affiliates, including:

(i) The amount of the original debt;

(ii) The amount that would be forgiven, extinguished or otherwise written-off; and

(iii) For any such debts written off with the preceding 3 years, provide the amount forgiven, extinguished or otherwise written-off, the date of the write off, and the reason.

(a) The answers provided in response to Deficiency 74 of the February AG/DOH Request superseded the initial response and are as follows:

The Special Master is not required to and has not prepared any preliminary or other recommendations for the disposition of debt if the proposed conversion is approved. In accordance with the typical procedure and practice in Rhode Island receivership/mastership proceedings, a receiver/special master does not and would not prepare any such recommendations to the Court until after the sale/liquidation of assets[2] and in conjunction with the receiver/special master's final report to the Court. The receiver/special master's final report is prepared and filed at the time when the Estate is ready to be closed.

Notwithstanding the above and based upon the Special Master's preliminary review[3], the pre-petition debt of the acquiree is as follows:

I. <u>LMC</u>

1. Pre-Mastership

a. Priority Claims – the Special Master has received asserted priority claims totaling approximately $21,818,842.57[4].

[2] The preparation and filing of any such recommendation, preliminary or otherwise, prior to the sale/liquidation of assets would be highly speculative and inappropriate.

[3] The Special Master has not fully reviewed the asserted claims filed in the LMC and/or NRIRMA Mastership Estates and nothing herein shall be interpreted or construed as the Special Master's recommendation, approval and/or rejection of any asserted claims filed. The Special Master will fully review and formally make his recommendation to the Court regarding asserted claims upon the filing of the Final Reports in the LMC and/or NRIRMA mastership proceedings.

b. General, Unsecured Claims – accounts payable showing on the books and records of Landmark is approximately $7,800,000.00 (to date, the amount of general, unsecured claims, as filed but not approved, total approximately $7,300,000.00). **The satisfaction of any pre-mastership debt is subject to available cash-on-hand at the close of the Estate and Court approval of the properly claim(s) filed asserting the existence of such debt.*

2. Post-Mastership

a. Super Administrative Priority Secured Debt

Two Million Dollars ($2,000,000), including any accrued but unpaid interest, to Steward Healthcare, as successor-in-interest to Caritas Christi.

One Million Six Hundred Thousand Dollars ($1,600,000), including any accrued but unpaid interest, to Northborough Capital Partners, LLC.

Four Million Four Hundred Thousand Dollars ($4,400,000) including any accrued but unpaid interest, to Blackstone Medical Center, Inc., f/k/a Steward Medical Holdings Subsidiary Four, Inc. under that certain Working Capital Loan Agreement.

One Million Six Hundred Fifty Thousand ($1,650,000) including accrued but unpaid interest, to Prime-.[5]

b. Unsecured Debt

i. Agreement for Advisory Services provided by Steward at $35,000 per month – Steward has submitted an invoice for such services totaling approximately $580,000.

II. NRIRMA

1. Pre-Mastership

a. Priority Claims – the Special Master has received asserted priority claims totaling approximately $21,584,795.77[6].

---

[4] This amount is inclusive of claims filed by the Pension Benefit Guarantee Corp ("PBGC") totaling $21,563,009. The PBGC has filed duplicate claims in the NRIRMA proceeding.

[5] Total debt is $2,650,000, however, the initial One Million is not owed if closing occurs.

[6] This is inclusive of claims filed by the PBGC totaling $21,563,009 asserted as both priority and general claims. Duplicate claims by the PBGC were filed against the LMC mastership Estate. NRIRMA did not have a pension or other benefit plan that would be subject to a PBGC claim.

b. General, Unsecured Claims – accounts payable showing on the books and records of NRIRMA totals slightly more than $411,000.00 (to date, the amount of general, unsecured claims, as filed but not approved, total approximately $21,844,027.90[7]). **The satisfaction of any pre-mastership debt is subject to available cash-on-hand at the close of the Estate and Court approval of the properly claim(s) filed asserting the existence of such debt.*

2. Post-Mastership

a. Secured Debt – None.

*Note: Although the Special Master has not made and does not here make any preliminary recommendation(s) regarding the disposition of the above debt, assuming approval of this conversion, final Court approval and a closing, it is possible that the above debts may be disposed of as follows:

- LMC post-mastership super administrative priority secured debt will be satisfied by Prime pursuant to the terms of section 1.6 of the Asset Purchase Agreement;

- LMC post-mastership unsecured debt will be satisfied by Prime pursuant to Schedules 1.4 and 1.4(a)(iii) and pursuant to the inclusion of that debt on Net Working Capital;

- LMC and NRIRMA post-petition payables will be satisfied by Prime pursuant to Schedules 1.4 and 1.4(a)(iii) and pursuant to the inclusion of that debt on Net Working Capital;

- LMC and NRIRMA Administrative Expenses as approved by the Court will be paid by Prime from the $750,000 Escrow established pursuant to Section 1.6(g) and any amount not used from that Escrow, if any, will be returned to Prime;

- LMC and NRIRMA Pre-Mastership Debt will be paid by Prime but only to the extent that Prime expressly assumes a contract associated with such debt and payment of the pre-mastership debt is necessary to cure and assign such contract to Prime at closing; and[8]

- LMC and NRIRMA Pre-Mastership General, Unsecured and Priority Debt – Based upon the terms of section 1.6 of the APA, the Special Master does not anticipate that there will be funds available to satisfy any claims beyond proper, Court-approved administrative claims of the Estate. Thus, any pre-mastership claims not associated with a contract

[7] This is inclusive of claims filed by the PBGC totaling $21,563,009 asserted as both priority and general claims. Duplicate claims by the PBGC were filed against the LMC mastership Estate. NRIRMA did not have a pension or other benefit plan that would be subject to a PBGC claim.

[8] The described disposition of this debt assumes that such debt is confirmed by the Special Master and approved by the Court or otherwise negotiated by Prime prior to closing. Otherwise, the Special Master would recommend that the Court deny the claim asserted.

assumed by Prime or otherwise expressly assumed by Prime will not receive any distribution and will be deemed uncollectible.

(b) None. Outstanding indebtedness, as appended to the February AG/DOH Request in response to Deficiency 75, is listed at **Exhibit 47(b)**.

The April AG/DOH Request, Deficiency 75 asked:

This entire response consists of 2 pages. Additional information (a 55 page exhibit) was provided regarding Landmark in a previous filing. Please provide comparable updated information for this filing. Also, the information on LPHCA/SQE 2424 is from 8/31/12. Is this currently accurate? Also, please describe the document at LPHCA/SQE 02425.

Response:

Attached at **Exhibit 47(b)**, please find the most current detail of the outstanding debt of LMC as of December 31, 2012. This information replaces the information previously provided which was accurate through August 31, 2012. The previously submitted LPHCA/SQ 02425 was a listing of LMC's current and long term liabilities and fund balances, by account for FY '07 through December 31, 2012. The attached updated schedule is a more complete, accurate and understandable compilation of the liabilities of LMC.

June 14, 2013 Filing

Prime Holdings

Not Applicable.

PHMI

Not Applicable.

See April Filing, I-47-1 through I-47-4 for a response to this question.

48. Please provide a list of the transaction costs and expenses by appropriate accounting classification incurred to date or to be incurred by the Transacting Parties and their affiliate entities involved, with respect to the proposed conversion, including an itemization of all consulting fees incurred by the Transacting Parties and/or their affiliates in connection with the proposed transaction, including vendor, dates of service, service(s) provided and cost(s) and projected additional amounts, through closing, by category and payee.

The following was provided in response to Deficiency 78 of the February AG/DOH Request. Previously, the Special Master had provided a copy of its October invoice (**Exhibit 48(a)**).

Substantially all of the fees, costs and expenses associated with this transaction have been incurred by the Special Master, his team and the public relations consultant, True North Communications, LLC. Other than as set forth below, the Special Master does not anticipate any change in the allocation and source of expenses. The retention, fees and costs of the Special Master and True North Communications are subject to the approval and consent of the Court. Given the nature of the work, it is virtually impossible to specifically identify that portion of time and costs of the Special Master and True North Communications that are related specifically to the contemplated transaction without a line by line review of the Special Master's invoices. Further, with regard to True North Communication, the Court authorized such fees and costs to be invoiced on a monthly, flat fee basis and as such, it is not possible to identify how much of such fee is attributable to the transaction.

Notwithstanding the foregoing, in the response to Deficiency 78 of the AG/DOH Request, the following information was provided.

Invoices Submitted since 2008

1. Since the commencement of the Landmark Entities' mastership estates through February 28, 2013, the Special Master has submitted invoices to the Court totaling as follows:

   LMC - $4,114,765.80*~

   RHRI- $267,947.25*~

   LHS - $15,868*~

*The Special Master does not consider any of the invoices submitted to the Court for fees and expenses which accrued prior to October 1, 2012, to be associated with the proposed conversion.

~The Special Master notes that all or a significant portion of all invoices submitted to the Court are not related to fees related to the proposed conversion and the Special Master is unable to make any allocation relative to fees accrued specifically in connection with the proposed conversion.

2. Since the commencement of the Landmark Entities' mastership estates through February 28, 2013, the Special Master has satisfied invoices submitted by True North Communications totaling $416,020.14*~

*The Special Master does not consider any of the invoices submitted by True North Communications which accrued prior to October 1, 2012, to be associated with the proposed conversion.

~The Special Master notes that all or a portion of all invoices submitted by True North Communications are not related to proposed conversion and the Special Master and True North Communications are unable to make any allocation relative to amounts accrued specifically in connection with the proposed conversion.

Projected Amounts through Closing of Proposed Conversion:

1. Based upon historical review, the Special Master projects that he will submit monthly invoices to the Court for approval in a monthly amount ranging between $50,000 to $100,000 through the Closing of the proposed conversion.*

2. Based upon historical review, the Special Master projects that he will satisfy monthly invoices from True North Communications in a monthly amount equal to $9,000 through the Closing of the proposed conversion.

* The Special Master notes that all or a significant portion of all invoices that are projected to be submitted to the Court will not be related to fees related to the proposed conversion. The Special Master will be unable to make any allocation relative to fees accrued specifically in connection with the proposed conversion.

In addition, the Court has approved the retention of Nixon Peabody LLP and specifically Attorney Stephen Zubiago and his team to assist the Landmark Entities in this transaction and payment of such fees, costs and expenses are subject to Court approval. The Court Order evidencing this approval is appended at **Exhibit 48(b)**. Fees to date: $10,000. Anticipated fees: $25,000 - $50,000, subject to Court approval.

As to Prime, the transaction costs incurred to date include:

Cameron & Mittleman, LLP	$69,000.00
Government Strategies	$28,000.00
Travel Expenses (Estimate for 10 trips by Prime Executives)	$8,000.00

Additional projected transaction costs include:

Legal Fees	$100,000 to $150,000
Government Strategies	$25,000 to $35,000
Nemzoff & Company	$250,000, at closing[1]

Other consulting fees including title reports, environmental and other surveys	$50,000

[1] In the April AG/DOH Request, Deficiency 81 asks for additional information about Joshua Nemzoff & Company. There is no additional information. Prime Healthcare Management will pay Nemzoff & Company at closing.

May 21, 2013 Filing

9. Regarding Question #48, please include Capitol City Group's transaction costs in this response.

Response:

Prime: $36,000 Special Master: $495,000 (since June, 2008)

June 14, 2013 Filing

Prime Holdings

Prime Holdings has undertaken no expenses relating to the proposed conversion.

PHMI

PHMI's expenses are included within Prime's transaction costs described at the April Filing, I-48-2, and, as to Capitol City Group, the May Filing, M-3.

See April Filing, I 48-2 and the Exhibits referenced therein, as to the transaction costs of the other Transacting Parties.

49. Please provide a description by each Transacting Party and its affiliates with respect to Medicare and Medicaid programs, including but not limited to notice of de-certification, revocation, suspension or termination, or of threatened or potential re-certification, revocation, suspension or termination pending or resolved within past 3 years of submission.

The Transacting Parties and their affiliates have not received any such notices. As noted in the response to Deficiency 83 of the February AG/DOH Request, both LMC and RHRI participate in Medicare and Medicaid as do all Prime-affiliated hospitals.

June 14, 2013 Filing

Prime Holdings

Not Applicable as to Prime Holdings.

PHMI

Not Applicable as to PHMI.

See response at April Filing, I-49-1, as to the other Transacting Parties and their affiliates.

50. Please complete the following chart for the previous 3 fiscal years and year to date.

The updated Endowment Chart, included in the response to Deficiency 84 of the February AG/DOH Response, is set forth below:

Year	Total Endowment (1)	Specific Purpose (2)	Restricted (3)	Unrestricted (4)
2010	$305,702.00	$25,646.00	$80,005.00	$200,051.00
2011	$129,410.00	$25,671.00	$10,011.00	$93,728.00
2012	$27,216.00	-	$1,532.00	$25,684.00
Year To Date 01/31/2013 (four months)	$16,766.00	-	$928.00	$15,848.00

NOTES:

(1) – Total Endowment – Sum of all donations (excluding grants previously included)

(2) – Specific Purpose – The specific purpose account previously held funds from various donors for special projects and/or purposes such as Lifeline, Laboratory software interface, Pharmacy Education, Heart Center and Higgins Trust Fund.

(3) – Restricted – the restricted funds are donated funds in which the donor specifies a specific use for the funds. As of the date of this chart, funds have been spent in accordance with their restrictions by either the Landmark Heart Center or the Cancer Center.

(4) – Unrestricted is the total of the unrestricted donations per year. Funds are recorded as non-operating revenue on the LMC Income Statement each year and expended in the normal course of business. Cash is commingled with operating cash.

As noted in the response to Deficiency 85 of the February AG/DOH Request, LMC's endowment funds are $16,766 as of January 31, 2013.

June 14, 2013 Filing

Prime Holdings

Not Applicable.

PHMI

Not Applicable.

See response concerning LMC at April Filing, I-50-1.

51. Please provide a list of all agreements of the existing hospital(s) and/or their affiliated medical providers with third party payors.

See **Exhibit 51** for the updated list of LMC/RHRI third party payors, including Medicare and Medicaid, as provided in response to Deficiency 86 of the February AG/DOH Request.

June 14, 2013 Filing

Prime Holdings

Not Applicable.

PHMI

Not Applicable.

See response at April Filing, I-51-1 and the Exhibit referenced therein, as to the LMC/RHRI list of third party payers.

52. **If the acquirer is a for profit corporation that has acquired a not for profit hospital under the provisions of the Hospital Conversion Act, the application shall also include a complete statement of performance during the preceding one year with regard to the terms and conditions of approval of conversion and each projection, plan, or description submitted as part of the application for any conversion completed under an application submitted pursuant to the Hospital Conversion Act and made a part of an approval for the conversion pursuant to R.I. Gen. Law §§ 23-17.14-7 or 23-17.14-8.**

Neither PHSI, Prime-Landmark nor its affiliates has acquired a not for profit hospital under the provisions of the Hospital Conversion Act.

June 14, 2013 Filing

Prime Holdings

PHSI, Prime Landmark, Prime Holdings and their affiliates have not acquired a not for profit hospital under the provisions of the Hospital Conversion Act.

PHMI

PHSI, Prime Landmark, PHMI, and their affiliates have not acquired a not for profit hospital under the provisions of the Hospital Conversion Act.

H. PLANNING

53. Please address the following regarding market share to ensure a balanced health care delivery system to the residents of the state:

Tertiary or Specialty Care Services

(a) Please identify all tertiary or specialty care services and the market share of the Transacting Parties and/or their affiliates in the state;

Please see **Exhibit 53(a)(1)** for a list of the tertiary and specialty care services provided by LMC and RHRI. **Exhibit 26(b)** includes information regarding market share for services in LMC's primary service area and **Exhibit 53(a)(2)** contains information about LMC's/RHRI's market share, revised pursuant to the response to Deficiency 87 of the February AG/DOH Request.

PHSI, Prime-Landmark and their affiliates do not currently operate any hospitals in Rhode Island and do not have any market share in Rhode Island.

(b) Please discuss the plans for changes to existing or development of any new tertiary or specialty care service in the state within 5 years after implementation of the conversion;

Prime-Landmark has plans to work with providers in the service areas, including independent primary and specialty care physicians, community health centers and nursing homes, to identify opportunities to potentially improve on the care available in the community. Prime-Landmark believes in providing quality healthcare in a cost-effective and compassionate manner. This includes offering state-of-the-art facilities, clinical technology, top-notch physicians and nurses and electronic health records to support the continuum of care.

As noted in the response to Deficiency 88 of the February AG/DOH Request, Prime does not have any plans for changes to the existing services at LMC or RHRI. Prime believes that the best sources of information as to whether or not new services need to be developed are the local physicians including primary care physicians. To date, Prime has not had the opportunity to meet with these physicians in any meaningful way concerning such changes.

(c) Please justify how the proposed conversion would contribute to a balanced health care delivery system to the residents of the state with regard to the impact of the conversion on the market share of tertiary or specialty care services of the Transacting Parties and/or their affiliates;

The proposed conversion would contribute to a balanced health care delivery system in the state with regard to the market share of tertiary and specialty care services by maintaining the current level of services offered in the service areas of LMC and RHRI. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced and the LMC and RHRI service areas would lose vital health care providers.

With regard to all services, Prime-Landmark strongly believes that the proposed transaction will contribute to a well-balanced delivery system for the residents of the state, particularly in Woonsocket, North Smithfield and the surrounding communities.

LMC is the only acute care hospital in its Rhode Island service area (see **Exhibit 53(d)(1)**) and it is essential for the residents of the community that LMC continue to serve this market. Both LMC and RHRI have been struggling financially for several years and Prime-Landmark has made a commitment to put much needed capital improvements into the facilities. Some of the key proposed investments may include emergency department renovations, upgrades to imaging equipment, and new information technology that will improve the delivery of care.

Furthermore, a third party study conducted by Vector Group, LLC in March, 2010, reported that there is a significant concern regarding the ability of patients in this community to safely receive care outside of the service area. The Vector Group Study is appended at **Exhibit 1(d)**. Nearby hospitals are already operating above 80% capacity and even more concerning is the potential domino effect the longer drive times would have for EMS services in this area.

Service Area

(d) Please identify which cities and/or town comprise the primary and secondary service area of the Transacting Parties and/or their affiliates in the state and represent that information on a map of the state. Please describe how these service areas were determined;

Please see **Exhibit 53(d)(1)** for a map of the primary and secondary service areas of LMC and RHRI.

The service areas were determined as described in the response to Deficiency 90 of the February AG/DOH Request.

Response:

In 2011, using the then most current data available (2009) from the Rhode Island Department of Health and Massachusetts hospital data, LMC/RHRI analyzed discharge activity by zip code of origin. **Exhibit 53(d)(1)** of the Application shows a map depicting primary and secondary service areas of LMC/RHRI. Market share was determined by calculating the number of discharges from LMC/RHRI for a particular city or town and comparing that number to all Rhode Island or Massachusetts hospital discharges for the particular city or town, as applicable.

PHSI, Prime-Landmark and their affiliates do not currently operate any hospitals in Rhode Island.

(e) Please justify how the proposed conversion would contribute to a balanced health care delivery system to the residents of the state with regard to impact of the conversion on the market share of the service area of the Transacting Parties and/or their affiliates;

The proposed conversion would contribute to a balanced health care delivery system in the state with regard to the market share of the service areas by maintaining the current level of services

offered in the service areas of LMC and RHRI. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced. The LMC and RHRI service areas would lose vital health care providers.

The statistics show that the Woonsocket community is economically disadvantaged. Not only is the median income significantly below the state average, but the unemployment rate, which has grown considerably since 2000, is also significantly higher than the rest of the state. In areas such as this, it is even more important to keep community care local. A study done by Vector Group LLC in 2010 (attached at **Exhibit 1(d)**) cited the fact that "Industry studies have consistently shown the close relationship between proximity and access to care – especially among lower income persons." Keeping market share at LMC and RHRI has a positive impact on maintaining the health status of the patients in these communities. In addition, patients do not always have the means to travel for healthcare services and it becomes more costly to the patients, their families, and the overall healthcare community.

Licensed Bed and Utilization

(f) Please identify the market share in the service area and state of both licensed and staffed beds of the Transacting Parties and/or their affiliates;

LMC is the dominant provider of short term acute hospital care in northern Rhode Island, with 214 licensed beds. (See **Exhibit 53(f)(1)**, updated (as of February 6, 2013) for the response to Deficiency 91 of the February AG/DOH Request, for a list of licensed and staffed beds at LMC and RHRI, broken down by clinical service, and see **Exhibit 53(f)(2)** for the market share of licensed and staffed beds at LMC and RHRI, updated (as of December, 2012, HARI) in response to Deficiency 91 of the February AG/DOH Request. At more than 40,000 emergency visits per year, LMC operates one of the state's busiest emergency services. More than 25% of LMC emergency room patients arrive by ambulance suffering from life-threatening conditions such as acute cardiac disease or stroke. In some instances the care they require is not uniformly available at other area facilities. LMC is one of only three hospitals in Rhode Island qualified to provide emergency interventional care to patients suffering heart attacks. LMC delivers more intensive and clinically complex care than is frequently provided at many other area hospitals. Nevertheless, LMC provides care at a lower cost than other facilities when compared on a patient-to-patient, service-to-service basis. Please see **Exhibit 53(f)(3)**, updated for the response to Deficiency 93 of the February AG/DOH Request, for more information about LMC's provision of low-cost care, as compared to other hospitals in Rhode Island. This rare combination of complex care and low cost is important in restraining the growth of health costs in the area.

RHRI, the second of the two LHS facilities, has 82 licensed beds and provides post-acute rehabilitation services. Such services treat patients who require intensive rehabilitation care for such health problems as Traumatic Brain Injury, Stroke, Pulmonary Disease and others. While such services are available through smaller rehabilitation units at some community hospitals, RHRI, as a freestanding facility, specializes solely in such services. This enables it to maintain a broader patient base, to provide a broader range of services and expertise and to care for patients with more complex needs. As the only freestanding post-acute rehabilitation hospital in the state,

RHRI, like LMC, is a unique provider that enables many patients to achieve a more rapid and more complete recovery. Without RHRI, an important nexus of rehabilitation expertise would be lost to Rhode Island and poorer outcomes for many patients requiring intensive post-acute rehabilitation would result. The proposed conversion will allow both facilities to continue providing their much-needed services to their communities.

(g) Please justify how the proposed conversion would contribute to a balanced health care delivery system to the residents of the state with regard to the impact of the conversion on the market share of the licensed and staffed beds of the Transacting Parties and/or their affiliates;

The proposed conversion would contribute to a balanced health care delivery system in the state with regard to the market share of licensed and staffed beds by maintaining the current level of services offered in the service areas of LMC and RHRI. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced. The LMC and RHRI service areas would lose vital health care providers.

Impact on Other Providers

(h) Please discuss the anticipated impact of the proposed conversion on the future viability of other providers of health services in the Transacting Parties and/or their affiliates' service area in the state and justify how the proposed conversion would contribute to a balanced health care delivery system to the residents of the state in consideration of its impact on other providers of health care services in the state;

The acquisition of LMC and RHRI will allow those hospitals to continue to be available to provide hospital and other services to the many physicians, community health centers, community mental health centers, nursing home and other medical providers in the hospitals' service area.

(i) Discuss in detail the anticipated impact, if any, on the market share of the acquirer and its affiliates, if the proposed conversion takes place, on each of the tertiary or specialty care services identified in (a) above; and

Prime-Landmark and its affiliates do not currently operate any facilities in Rhode Island and have no market share. The proposed conversion would have no immediate impact on the market share of tertiary and specialty care services identified in (a) above because Prime-Landmark would assume the existing market share of LMC and RHRI. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced. The LMC and RHRI service areas would lose vital health care providers.

(j) Discuss in detail the appropriateness of the conversion based on the share of tertiary or specialty care services to ensure a balanced health care delivery system to the residents of the state.

As demonstrated in the previous responses to this Question 53, the proposed conversion would contribute to a balanced health care delivery system in the state with regard to the share of tertiary and specialty care services by maintaining the current level of services offered in the service areas of LMC and RHRI. If the conversion is not approved, and the Special Master is unable to find another buyer for the Landmark Entities, the Rhode Island health care delivery system would become unbalanced. The LMC and RHRI service areas would lose vital health care providers.

June 14, 2013 Filing

Prime Holdings

See responses (a) through (j) in April Filing, I-53-1 through I-53-5 and all Exhibits referenced therein.

PHMI

See responses (a) through (j) in April Filing, I-53-1 through I-53-5 and all Exhibits referenced therein.

54. Please provide copies of any opinions or memoranda addressing the state and federal tax consequences of the proposed conversion prepared for a Transacting Party by an attorney, accountant, or other expert.

Prime has not prepared or received any opinions, reports or memoranda addressing the state and federal tax consequences of the proposed conversion.

In the response to Deficiency 94 of the February AG/DOH Request, LMC provided **Exhibit 54**, explaining as to LMC, in addition to the limitations and restrictions indicated by Kahn Litwin & Renza as set forth at **Exhibit 54**, the Special Master notes that the attached documents were prepared more than 2 ½ years ago and were prepared in conjunction with a prior transaction. Based upon those limitations and restrictions and the outdated nature of the information contained therein, the Special Master has not relied on any portion of the attached documents in connection with the proposed conversion.

June 14, 2013 Filing

Prime Holdings

No Prime entity has prepared or received any opinions, reports or memoranda addressing the state and federal tax consequences of the proposed conversion.

PHMI

No Prime entity has prepared or received any opinions, reports or memoranda addressing the state and federal tax consequences of the proposed conversion.

See response at April Filing, I-54-1 and the Exhibit referenced therein, as to LMC.

55. Please provide a description of the manner in which the price was determined including which methods of valuation and what data were used, and the names and addresses of persons preparing the documents.

The price offered by Prime-Landmark for the Landmark Entities was based on the history of previous bids made by bidders up to that point in the Special Mastership proceedings. Prime-Landmark examined the most recent bids considered by the Special Master and the Asset Purchase Agreement between Steward and the Special Master. Prime-Landmark arrived at its initial offer by comparing the Steward Asset Purchase Agreement to the offers previously made in the bidding process as well as the current financial condition of the Landmark Entities. The parties negotiated the final purchase price as set forth in the Asset Purchase Agreement.

In the February AG/DOH Request at Deficiency 95, the names and addresses of persons preparing the Asset Purchase Agreement were requested. See information below.

Stephen F. DelSesto, Esq.
Shechtman Halperin Savage, LLP
1080 Main Street
Pawtucket, Rhode Island 02860

Michael J. Sarrao, Esq.*
Law Offices of Michael J. Sarrao
8105 Irvine Center Drive, Suite 600
Irvine, California 92618

Joshua Nemzoff
Nemzoff & Company, LLC
P.O. Box 395
New Hope, PA 18938

* When the documents were prepared, Mr. Sarrao was General Counsel for Prime.

June 14, 2013 Filing

Prime Holdings

See response at April Filing, I-55-1.

PHMI

See response at April Filing, I-55-1.

56. Please provide patient statistics for the past 3 years and patient projections for the next years including patient visits, admissions, emergency room visits, clinical visits, and visits to each department of the hospital, admissions to nursing care or visits by affiliated home health entities.

See **Exhibit 56**.

June 14, 2013 Filing

Prime Holdings

Not Applicable. See response concerning LMC and RHRI at April Filing, **Exhibit 56**, LPHCA/I 03886.

PHMI

Not Applicable. See response concerning LMC and RHRI at April Filing, **Exhibit 56**, LPHCA/I 03886.

57. Please provide all plans to develop or change the existing services and/or develop new services and programs at the hospital(s) being converted.

Prime-Landmark believes that plans to develop or change the existing services at a hospital or to develop new services can only be determined after review of sufficient data and input from local management, local physicians and other healthcare providers, and local community leaders. Prime-Landmark has begun, but not completed, discussions with these stakeholders and as a result, has not yet developed any such plans. As set forth in the Asset Purchase Agreement, Prime-Landmark has committed to invest no less than $30 Million during the five (5) years following the Closing to make improvements to the existing infrastructure, upgrade and/or install new state of the art information systems, and upgrade the medical equipment used to deliver patient care. Prime-Landmark will also focus on improving efficiencies in the delivery of care at LMC and RHRI including the care provided in LMC's emergency department so that patients have lower wait times.

In the response to Deficiency 96 of the February AG/DOH Request, Prime projected how the $30 million (referenced above) would be spent. See below.

Capital Needs	Source of Funding for Capital Needs	Cost of Satisfying Capital Needs	Date of Projected Completion
Information Systems – New System	Equity from Parent	$6,000,000	1st Quarter 2014
Patient Care Equipment – New Equipment	Equity from Parent	$6,000,000	Ongoing
Plumbing & Fire System – Repair & Replacement	Equity from Parent	$2,000,000	Ongoing with full completion by 4th Quarter 2014
HVAC Systems – Repair and Replacement	Equity from Parent	$7,000,000	Ongoing with full completion by 4th Quarter 2014
Electrical Systems – Repair and Replacement	Equity from Parent	$2,900,000	Ongoing with full completion by 4th Quarter 2014
Sitework – Repair & Replacement	Equity from Parent	$1,100,000	Ongoing with full completion by 4th Quarter 2014
Façade & Roof – Repair and Replacement	Equity from Parent	$2,500,000	Ongoing with full completion by 4th Quarter 2014
Interiors – Repair and Replacement	Equity from Parent	$2,500,000	Ongoing with full completion by 4th Quarter 2015

June 14, 2013 Filing

Prime Holdings

See response at April Filing, I-57-1.

PHMI

See response at April Filing, I-57-1.

58. **Please provide any and all documents (including, but not limited to, letters, memoranda, reports, minutes, and the like) reflecting consideration of potential "partners" other than the Transacting Parties (including affiliations, mergers, acquisitions, purchases or the like) by the Transacting Parties for the full prior 3 calendar years up to the present, including, but not limited to, the following:**

(a) **A list of potential partners and any negotiations with such party;**

(b) **Copies of reports analyzing affiliations, mergers, or other similar transactions considered by any of the Transacting Parties, including, but not limited to, reports by appraisers, accountants, investment bankers, actuaries and other experts;**

(c) **Copies of any and all proposals, bids presentations, correspondence, memoranda and/or other forms of communication to or from actual or potential strategic partners or acquirors of any interest in the Transacting Parties and/or its affiliates, including, but not limited to, preliminary, modified or superseded proposals, bids, presentations or communications relating thereto and responses to any said proposals or the like;**

(d) **Any proposals, or other presentation and discussion packet materials, both formal and informal, prepared for and/or provided by the Transacting Parties and their affiliate hospital or their consultants or advisors with respect to the proposed conversion; and**

(e) **Copies of any opinions or memoranda addressing the state and federal tax consequences of the proposed conversion prepared for a Transacting Party or its' affiliates by an attorney, accountant, or other expert, including whether the proposed conversion is proper under applicable federal and state tax code provisions.**

See **Confidential Exhibit 27** as to PHSI's consideration of potential partners, other than the Landmark Entities. Related documents are at **Confidential Exhibit 43(b)**.

As stated in the Executive Summary, the Landmark Entities have been under the Special Mastership since June 2008. During that time, the Special Master has supervised daily operations of LMC and RHRI, and has been charged with identifying appropriate options for the Landmark Entities, including potential affiliations, mergers or other similar transactions. A primary goal of the Special Mastership has been to achieve financial stability and preserve the important missions of LMC and RHRI. Initially, the Special Master entered into exploratory discussions with other, larger, health care providers in the area that had previously expressed interest in entering into some type of arrangement with the Landmark Entities. While the parties held some preliminary discussions, no offers materialized from those talks, due in part to the national economic crisis. Efforts continued during 2009 and 2010 to find potential partners, but despite discussions with several potential partners, no agreements were reached. (See **Exhibit 13** for summaries of bids received and analyses of the bids.)

Throughout the Special Mastership process, the Landmark Entities, in conjunction with the Special Master, have endeavored to review and understand all viable options, though those reviews may not have necessarily resulted in formal reports, letters, memoranda, minutes or other documents analyzing each option. Please see **Exhibits 1(c)** and **1(d)** for the reports that the Landmark Entities and the Special Master commissioned and utilized when reviewing potential transactions. In addition, please see **Exhibit 13** for summaries and analyses of potential bids.

In the February AG/DOH Request and the April AG/DOH Request, Deficiencies 98 and 99 asked for all criteria considered by the Special Master in selecting Prime as the proposed bidder, updating the information provided to account for the Prime transaction. The response is directed to review of Deficiency 26 of the February AG/DOH Request which updated Question 13 which was again updated in the response to Deficiency 27 of the April AG/DOH Request. See also the response to Question 26.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

See response at April Filing, I-58-1 through I-58-2 and all Exhibits referenced therein.

PHMI

See response at April Filing, I-58-1 through I-58-2 and all Exhibits referenced therein.

59. **Please provide an Integration Plan for the proposed conversion. An Integration Plan should include the following key components at a minimum:**

(a) **Financial/Business Plan: Please quantify the projected enhanced revenue versus the operational cost, capital cost and financing plan for the combined operations of the affiliated entities, including any management fees, etc. to be paid by the Transacting Parties and any of the affiliates as well as for each entity. These financial projections must include documentation of the expected operational, clinical and corporate cost reductions and efficiencies to be gained through the conversion. For example, is it anticipated that all of the current management staff will remain or will the plan require management consolidations? Projections must then be compared to the current baseline financial projection assuming the affiliation did not occur.**

(b) **Feasibility Assessment: Please provide justification that the underlying assumptions supporting the financial/business plan for the resulting entities post transaction are reasonable. For example, what market share, rate increases, property sale/value, new research grants, utilization increases, changes in reimbursements from payors, financing capabilities, potential new services to be provided, etc. are assumed in the proposed revenue projections?**

(c) **Benefit to the Community: Please demonstrate the impact of each element of the integration plan on the community, specifically considering affordability. For example, will this plan require increases in fees to offset the required investments or other changes in medical services? In addition, the application must demonstrate the impact of each element of the Integration Plan on the community in terms of quality and access including, but not limited to, the following:**

(i) **Plans to improve access and provide benefits to the community in geographic areas to be served under the proposed affiliation;**

(ii) **Commitment to a primary care-based infrastructure and its design in comparison to NCQA's Medical Home standards; and**

(iii) **Determination of unmet needs of the population in geographic areas to be served, how the proposed conversion will address such unmet needs, and the improved community/population outcomes that are anticipated as a result.**

(d) **Balanced Health Care Delivery Assessment: The application must demonstrate how the proposed transaction will contribute to a more efficient delivery system, rebalancing institutionally based-care and community-based care to ensure that care is delivered in the most appropriate, least restrictive setting.**

(e) **Patient Discharge: What will be done to promote patient discharge to the least intensive setting, as well as decreased preventable hospitalizations, re-hospitalizations, non- emergent care in the Emergency Department, medical errors, etc.?**

(f) **Integration Plan Approval: Has the Integration Plan been discussed with and approved by the boards of the hospital? Please provide evidence that the Integration Plan has been discussed with provider groups and community members. Please document your response.**

(a) Prime-Landmark's financial and business plan for the integration of LMC and RHRI is detailed in **Confidential Exhibit 59(a)**. Prime-Landmark continues to refine the integration and business plan in connection with the advisory services provided to LMC and RHRI under the Management Advisory Agreement, but has not yet documented them in a manner similar to **Confidential Exhibit 59(a).**

(b) The assumptions on which the financial and business plan are based are set forth in **Confidential Exhibit 59(a).**

(c) Generally, as stated in other parts of this application, Prime-Landmark's integration plan manifests an acute benefit to the community by ensuring that LMC and RHRI continue to operate. LMC is the only acute care hospital in its service area and it is essential for the residents of the community that LMC continue to serve this market. The hospitals have been struggling financially for several years and Prime-Landmark has made a commitment to put much needed capital improvements into the facilities while maintaining all of the current services, including tertiary care and specialty care services, for a minimum of two years post-closing. Some of the key proposed investments include emergency department renovations, upgrades to imaging equipment, and new information technology that will improve the delivery of care.

Furthermore, third party report that there is a significant concern for patients in this community to safely receive care outside of the service area. Nearby hospitals are already operating above 80% capacity and even more concerning is the potential domino effect the longer drive times would have for EMS services in this area. As noted in the response to Deficiency 100 of the February AG/DOH Request, the third party report referenced herein is The Vector Report which is attached at **Exhibit 1(d)**.

The statistics show that the Woonsocket community is economically disadvantaged. Not only is the median income significantly below the state average, but the unemployment rate, which has grown considerably since 2000, is also significantly higher than the rest of the state. Keeping market share at LMC and RHRI has a positive impact on maintaining the health status of the patients in these communities. In addition, patients do not always have the means to travel for healthcare services and it becomes more costly to the patients, their families, and the overall healthcare community.

(d) Prime-Landmark will work locally in Woonsocket and throughout the communities served by Prime Healthcare hospitals to shift emphasis toward community-based care. Locally, Prime-Landmark hopes to coordinate a variety of activities with Thundermist, the city's primary care leader, to ensure that care is delivered in the most appropriate, least restrictive setting.

(e) At all of its hospitals, Prime Healthcare works with its staff and each patient's treating physicians to promote patient discharges from the inpatient setting to the least intensive, most cost effective alternative. Through partnering with local long term care, home care, hospice, and, Prime-Landmark will put in place a network of post-acute discharge resources.

(f) As part of the advisory services provided to LMC and RHRI under the Advisory Services Agreement, Prime-Landmark has worked closely with LMC's and RHRI's staff to better understand the local healthcare delivery system and means by which the delivery of healthcare can be improved. The financial and business plan detailed in **Confidential Exhibit 59(a)** is the result of these efforts. Prime-Landmark will work closely with local providers and community leaders in the coming weeks to seek their input on these plans.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

See response to April Filing, I-59-1 through I-59-3 and the Exhibits referenced therein.

PHMI

See response to April Filing, I-59-1 through I-59-3 and the Exhibits referenced therein.

60. Please provide the names, addresses and phone numbers of professional consultants engaged in connection with the proposed conversion.

The response to Deficiency 101 of the February AG/DOH Request replaced the information originally provided. See charts on the following pages.

Please note that Capitol City Group and True North Communications are now under contract with Prime. Although Prime will pay for their services, relieving the Mastership estate of the costs, nonetheless, Capitol City Group and True North Communications will be available to assist the Special Master whenever necessary.

June 14, 2013 Filing

Prime Holdings

See response to April Filing, I-60-1 through I-60-2 as to Prime.

PHMI

See response to April Filing, I-60-1 through I-60-2 as to Prime.

As to LMC/RHRI, see April Filing, I-60-3.

CONSULTANTS USED BY PRIME

Name	Company	Address	Telephone	Description/ Business Type
Cynthia J. Warren, Esq.	Cameron & Mittleman LLP	301 Promenade Street, Providence, RI 02908	(401) 331-5700	Attorney
Joseph Walsh	Government Strategies, Inc.	335 Centerville Road, Warwick, Rhode Island 02886	(401) 864-1665	Government Relations/Lobbying
Bill Fischer	True North Communications, LLC	260 West Exchange Street, Suite 305 Providence, RI 02903	(401) 228-8016	Marketing/Public Relations/Media
Joshua A. Nemzoff	Nemzoff & Company, LLC	360 Covered Bridge Road, New Hope, PA 18938	(215) 862-4404	Consultant
Christopher P. Vitale Gerald T. Harrington	Capitol City Group, Ltd.	260 West Exchange Street, Suite 305, Providence, RI 02903	(401) 453-1786	Lobbying

CONSULTANTS USED IN CONNECTION WITH
PRIME/LMC/RHRI ACQUISITION
By LMC/RHRI

Name	Company	Address	Telephone	Description/ Business Type
Lubiner, Joseph	Vector HMG	35 Chestnut Drive East Greenwich, RI 02818	(401) 529-3022	Healthcare Consultant
Vitale, Christopher	Capitol City Group, Ltd	260 West Exchange Street Suite 305 Providence, RI 02903	(401) 453-1786	Government Relations/Lobbying
Harrington, Gerald	Capitol City Group, Ltd.	260 West Exchange Street Suite 305 Providence, RI 02903	(401) 453-1786	Government Relations/Lobbying
Fischer, Bill	True North Communications, LLC	260 West Exchange Street, Suite 105 Providence, RI 02903	(401) 228-8016	Marketing/Public Relations/Media
Cavallero, Anthony	JACA Architects	211 Larchmont Lane Hanover, MA 02339	(781) 682-9888	Architect
Surrette, Jr. John	Kahn, Litwin, Renza & Co., Ltd.	951 North Main Street Providence, RI 02904	(401) 274-2001	Auditor/CPA

61. Please provide a copy of any agreement outlining the scope of services to be rendered by any consultant or expert engaged by the Transacting Parties in connection with the proposed transaction, including the cost thereof.

The responses to Deficiencies 102, 103 and 104 of the February AG/DOH Request replace the information originally provided.

See **Confidential Exhibit 61(a)** for Prime's contracts with the consultants referenced in the Chart following Question 60.

See **Confidential Exhibit 61(b)** for contracts relating to the Landmark Entities. Please note that with regard to William Fischer of True North Communications, there is no agreement with the Landmark Entities. True North Communications is engaged on a month-to-month basis, as acknowledged by the Providence Superior Court in a June 20, 2011 Order, approving True North's invoices and subsequent orders of the Court which have approved True North's subsequent monthly invoices.

See the Court Order at **Exhibit 48(b)** and Engagement Letter at **Exhibit 61(b)** from Stephen Zubiago, Esq. of Nixon Peabody.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

May 21, 2013 Filing

8. Please provide a signed contract between Prime Healthcare Services, Inc. and True North Communications, LLC that appears at Bates number LPHCA/I-C 03310 to 03315.

Response:

See **Confidential Exhibit 61(a)**.

June 14, 2013 Filing

Prime Holdings

See April Filing, I-61-1 and **Confidential Exhibit 61(a)** at LPHCA/I-C 03308-03329. See also May filing M-3 as to the True North Communications Contract, included at **Exhibit 8**, LPHCA/M-00087-00092 (now at **Confidential Exhibit 61(a)**).

PHMI

See April Filing, I-61-1 and **Confidential Exhibit 61(a)** at LPHCA/I-C 03308-03329. See also May filing M-3 as to the True North Communications Contract, included at **Exhibit 8**, LPHCA/M-00087-00092 (now at **Confidential Exhibit 61(a)**).

See LMC/RHRI at April Filing, I-61-1 and the Exhibits referenced therein.

62. Please provide all studies, reports, analyses, and plans regarding: (a) integration or coordination of clinical programs and related administrative functions post conversion; and (b) the extent to which the clinical and administrative services provided by the Transacting Parties and their affiliate entities do and/or do not overlap and/or are complementary of one another.

Prime-Landmark has not prepared any such studies or reports at the present time. Service areas of Prime's hospitals do not overlap with LMC or RHRI.

June 14, 2013 Filing

Prime Holdings

No Prime entity has prepared any such studies or reports at the present time. Service areas of Prime's hospitals do not overlap with LMC or RHRI.

PHMI

No Prime entity has prepared any such studies or reports at the present time. Service areas of Prime's hospitals do not overlap with LMC or RHRI.

I. QUALITY AND EFFICIENCY

63. Please provide the Corporate Compliance Program for each of the Transacting Parties.

See the PHSI Compliance Manual, to be adopted by Prime-Landmark, at **Confidential Exhibit 63(a)**, as provided in the response to Deficiency 105 in the February AG/DOH Request and as updated pursuant to Deficiency 30 of the April AG/DOH Request.

See attached **Confidential Exhibits 63(b), 63(c) and 63(d)** for LMC and RHRI.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

Prime Holdings has no employees and does not maintain a Corporate Compliance Program.

PHMI

See **Confidential Exhibit 63(a)**.

See response at April Filing, I-63-1 and the Exhibits referenced therein, as to compliance programs for PHSI (to be adopted by Prime Landmark) and LMC/RHRI. See May Filing, M-2 and **Confidential Exhibit 5** at LPHCA/M-C-00001-00047 for PHSI Compliance Manual, updated to include the new General Counsel's name.

Note: All Compliance Manuals are at Exhibit 63 of this filing.

64. Please identify for each of the Transacting Parties and their affiliates whether or not their JCAHO accreditation is currently in good standing. If not, then please discuss in detail the reasons and provide copy of the JCAHO survey.

As updated in the response to Deficiency 106 of the February AG/DOH Response:

Hospital	Accrediting Body	Status
Landmark Medical Center	Joint Commission	Good Standing
Rehabilitation Hospital of Rhode Island	Joint Commission	Good Standing
Desert Valley Hospital	Healthcare Facilities Accreditation Program of American Osteopathic Association	Good Standing
Chino Valley Medical Center	Healthcare Facilities Accreditation Program of American Osteopathic Association	Good Standing
Sherman Oaks Hospital	Healthcare Facilities Accreditation Program of American Osteopathic Association	Good Standing
Montclair Hospital Medical Center	Joint Commission	Good Standing
Huntington Beach Hospital	Joint Commission	Good Standing
La Palma Intercommunity Hospital	Joint Commission	Good Standing
West Anaheim Medical Center	Joint Commission	Good Standing
Paradise Valley Hospital	Joint Commission	Good Standing
Centinela Hospital Medical Center	Joint Commission	Good Standing
Encino Hospital Medical Center	Joint Commission	Good Standing
San Dimas Community Hospital	Joint Commission	Good Standing
Garden Grove Hospital Medical Center	Joint Commission	Good Standing
Shasta Regional Medical Center	Joint Commission	Good Standing
Alvarado Hospital Medical Center	Joint Commission	Good Standing

(continued)

Hospital	Accrediting Body	Status
Harlingen Medical Center	Joint Commission	Good Standing
Roxborough Memorial Hospital	Joint Commission	Good Standing
Pampa Regional Medical Center	Joint Commission	Good Standing
Saint Mary's Regional Medical Center	Joint Commission	Good Standing
Dallas Medical Center	Joint Commission	Good Standing
Lower Bucks Hospital	Joint Commission	Good Standing
Knapp Medical Center	Joint Commission	Good Standing
Providence Medical Center	Joint Commission	Good Standing
Saint John Hospital	Joint Commission	Good Standing

June 14, 2013 Filing

Prime Holdings

See response at April Filing, I-64-1 through I-64-2.

PHMI

See response at April Filing, I-64-1 through I-64-2.

65. Please provide all summary reports concerning patient satisfaction surveys for the Transacting Parties and/or its affiliates for the last 3 years.

See attached **Confidential Exhibit 65(a)** for summary reports related to Prime hospitals.

See attached **Confidential Exhibit 65(b)** for summary reports related to LMC and RHRI, it being noted that the RHRI reports were provided in response to Deficiency 108 of the February AG/DOH Request.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

May 21, 2013 Filing

11. Please provide legible copies of the pages at Bates LPHCA/I-C 03436 to 03442.

Response:

See **Confidential Exhibit 65(a)**. Please note that updated information, through 2012, has been provided.

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

See May Filing at M-4 and **Confidential Exhibit 11** at LPHCA/M-C-00048-00052.

PHMI

See May Filing at M-4 and **Confidential Exhibit 11** at LPHCA/M-C-00048-00052.

For patient satisfaction as to LMC/RHRI see April Filing, I-65-1 and **Confidential Exhibit 65(b)**, LPHCA/I-C 03443-03747.

66. Please describe how the Transacting Parties will make investments to expand supportive primary care in Rhode Island.

Prime-Landmark recognizes that primary care providers are essential to the efficient delivery of quality healthcare for the residents of Rhode Island and in particular for the residents of the communities served by LMC and RHRI. Subject to additional input from local physicians, healthcare providers, and community leaders, Prime-Landmark plans to make investments to support primary care in Rhode Island by investing in the recruitment of primary care physicians, developing collaborative relationships with providers such as Thundermist Health Center to more effectively deliver primary care, and developing methods to develop primary care services to the indigent and/or uninsured patients in the community by way of support for existing free or low-cost community health centers and/or the development with other providers of free or low-cost community health centers and clinics.

As for their explanation in the response for deficiency 109 of the February AG/DOH Request:

Response:

Prime-Landmark contemplates providing the following support to develop primary care services for the indigent and uninsured members of the community:

- Providing financial support to nonprofit community health centers/clinics that provide primary care services to the indigent and uninsured members of the community; and

- Developing a method by which to exchange medical information regarding patients seen at LMC with primary care physicians who provide care in the community to uninsured and indigent members of the community so conditions are not left untreated.

In the February AG/DOH Request, Deficiency 110 asked for the following information:

2. Please provide an itemization of the $4.5 million dollar commitment for physician recruitment and what percentage of this amount will be allocated for primary care physician recruitment.

Response:

PHSI has not yet developed a budget with respect to the commitment for physician recruitment. This being said, PHSI anticipates that at least 50% of the commitment would be allocated for primary care physician recruitment.

June 14, 2013 Filing

Prime Holdings

See April Filing, I-66-1.

PHMI

See April Filing, I-66-1.

67. Please describe how the Transacting Parties will use capitalization, collaboration and partnerships with community health centers and private primary care practices to reduce inappropriate Emergency Department use.

PHSI has a history of working with community partners to reduce inappropriate emergency department use by making primary care available in the community. For example, Chino Valley Medical Center has worked collaboratively with two of the cities it serves to establish two (2) free community clinics that are designed to meet the primary care needs of the indigent and/or uninsured in the community and avoid the need for these patients to seek care in the emergency department for primary care needs. Likewise, Shasta Regional Medical Center assisted a local community health center in the acquisition of a mobile health clinic that serves the needs of the community by travelling to areas where patients need access to primary care so as to avoid and/or reduce inappropriate emergency department use. Prime Healthcare hospitals have also entered into agreements with local pharmacies to ensure that indigent and/or uninsured patients have access to medications upon discharge so as to avoid repeat visits to the emergency department as a result of a failure to take prescribe medications. Prime-Landmark anticipates developing similar programs in Woonsocket and other communities as well as meeting with local community leaders to identity other methods to reduce inappropriate emergency department.

In the response to Deficiency 111 of the February AG/DOH Request, Prime explained its anticipated relationship with Thundermist and how Prime has supported community health centers and centers and clinics elsewhere.

Response:

Prime believes that in order to reduce inappropriate emergency department usage, patients must have access to primary care services so as to prevent unnecessary usage of the emergency department at the onset of a medical condition and after discharge from a hospital so as to avoid readmission. Prime-Landmark will endeavor to work with Thundermist Health Center to assess market needs and to increase access to primary care physicians for preventive care and non-emergency care by, among other things, providing financial support for Thundermist Health Center and sponsoring community outreach programs. Prime-Landmark will also seek to develop a program with Thundermist which would allow for the exchange of medical information and discharge planning so that patients receive adequate follow-up care in an outpatient setting.

Prime has a track record of supporting the delivery of primary care services:

- Through PHSF, Prime has supported two non-profit community clinics which provide primary care services to indigent patients in the City of Chino and the City of Montclair. In addition, PHSF and Shasta Regional Medical Center provided major funding to Shasta Community Health Center to support the purchase of a mobile health clinic. Shasta Regional Medical Center and PHSF also provided the funding necessary to allow Shasta County to upgrade its 911 system.

- Desert Valley Medical Group is a multi-specialty physician group which operates in affiliation with Desert Valley Hospital. Desert Valley Medical Group operates a number of primary care clinics/offices and urgent care clinics in an effort to avoid emergency department usage for primary care services.

- Saint Mary's Medical Group which operates in affiliation with Saint Mary's Regional Medical Center in Reno, Nevada operates primary care clinics and urgent care clinics including urgent care clinics in Wal-Mart locations.

June 14, 2013 Filing

Prime Holdings

See April Filing, I-67-1 through I-67-2.

PHMI

See April Filing, I-67-1 through I-67-2.

68. Intentionally omitted.

69. Please provide any documents that indicate the efficiencies that are planned and/or projected from the proposed conversion of each of the Transacting Parties and/or their affiliates for a period starting with the Effective Date, running 3 years forward.

As indicated in prior responses, Prime-Landmark and its affiliates do not own or operate any other hospitals in Rhode Island. Nonetheless, Prime-Landmark believes that the proposed conversion will lead to a number of efficiencies for LMC and RHRI as they will become part of Prime Healthcare's award winning health system. Most importantly, LMC and RHRI will have immediate access to best practices that have been developed by Prime Healthcare over the past ten (10) years and implemented at its hospitals to improve the quality of care provided at each hospital acquired by Prime Healthcare which ultimately resulted in Prime Healthcare being recognized as a Top 15 Health System. LMC and RHRI will also have access to Prime Healthcare's buying power in terms of medical equipment and information systems which will allow LMC and RHRI to not only purchase these items at a lower cost but expedite the delivery and installation of these items so that they will be available for the delivery of patient care much sooner than usual. LMC and RHRI will also receive support from Prime Healthcare's corporate and regional staff in all areas so that the staff at LMC and RHRI can focus on delivering patient care.

June 14, 2013 Filing

Prime Holdings

See April Filing, I-69-1.

PHMI

See April Filing, I-69-1.

70. Please provide any and all documents referring or relating to determination of hospital efficiency for the Transacting Parties and their affiliates for the past 3 years that were provided to the board or senior management.

None of the Transacting Parties have produced such reports. LMC, pursuant to advice received under the Management Advisory Agreement, since October, 2012, has implemented changes that have resulted in the following efficiencies:

- Annual savings of $64,000 due to new BioMedical Engineering Services Agreement;
- Annual savings of $215,000 due to implant cost caps for Orthopedics and Cardiology; and
- Annual savings of $50,373 due to changes in pharmacy aerosol/MDI treatments.

As noted in the Response to Deficiency 112 of the February AG/DOH Request, there are no documents responsive to this question.

In the response to Deficiency 113 of the February AG/DOH Request, the spreadsheet showing the efficiencies attained at LMC/RHRI under Steward management was provided. See **Exhibit 70(a)**. As explained in that response to Deficiency 113, the attached spreadsheet represents the result of efforts by Steward under the management advisory agreement to provide LMC access to its purchasing contacts, including the Greater New York Hospital Association (GNYHA) Group Purchasing Organization contract. The spreadsheet shows LMC's annual purchase volume for selected products/contracts before access to Steward's contracts (column C), the projected savings for a full 12 month period (column E), and the savings for the remainder of the fiscal 2012 year (Column I). There were a couple of products whose price was higher for LMC through the Steward contract, however, for all aggregate purchases, there was an overall projected savings. Total projected annual savings was $601,061, with F/Y 12 projected savings of $478,263.

Deficiencies 114 and 115 of the February AG/DOH Request asked for an explanation as to "implant cost caps" and "Pharmacy aerosol/MDI treatments" See responses below.

Response:

Implants are devices that are surgically implanted inside the human body. For example, a pacemaker would be a cardiology implant. A replacement hip or knee would be an orthopedic implant. The "cost cap" is the maximum LMC is willing to pay for the implant from the vendor.

Response:

LMC currently utilizes Metered Dose Inhalers (MDIs) for the administration of inhalation medication. These are the devices you would typically see when someone is self-administering medication for asthma, by way of example. LMC will be converting to small hand-held nebulizers that will deliver the medication using a wall oxygen source.

Supportive documentation as to Question 70, as requested in Deficiency 116 of the February AG/DOH Response is attached at **Exhibit 70(b)**.

June 14, 2013 Filing

Prime Holdings

See response at April Filing, I-70-1 and Exhibits referenced therein, as to Prime, LMC and RHRI.

PHMI

See response at April Filing, I-70-1 and Exhibits referenced therein, as to Prime, LMC and RHRI.

J. STAFF

71. Please provide a description of staffing levels of all categories of employees, including full- time, part-time, and contract employees currently working at, or providing services to, the existing hospital(s) and a description of any anticipated or proposed changes in current staffing levels, including, but not limited to, copies of plans relative to staffing during the first 3 years at the new hospital(s).

See **Exhibit 71**.

As noted in the response to Deficiency 117 of the February AG/DOH Request, the only documents relating to LMC/RHRI staffing levels are **Exhibit 71** and **Appendix A-1**. In response to Deficiency 118 of the February AG/DOH Request, **Exhibit 71** reflects data collected on November 24, 2012. As pointed out in the response to Deficiency 119 of the February AG/DOH Request, the figures on **Exhibit 71** refer to hours paid as recorded in payroll records for the week ending November 24, 2012 and **Appendix A-1** refers to scheduled hours (not hours actually worked).

June 14, 2013 Filing

Prime Holdings

See April Filing, I-71-1 and the Exhibits referenced therein.

PHMI

See April Filing, I-71-1 and the Exhibits referenced therein.

72. Please provide a copy of all union contracts and any written comments from any of the unions regarding the proposed conversion.

See attached **Confidential Exhibit 72.**

Any supporting documents provided in response to this question that are labeled Confidential Exhibits are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws § 23-17.14-32.

June 14, 2013 Filing

Prime Holdings

See April Filing, I-72-1 and **Confidential Exhibit 72** at LPHCA/I-C 03748-03895.

PHMI

See April Filing, I-72-1 and **Confidential Exhibit 72** at LPHCA/I-C 03748-03895.

K. SERVICES

73. Please provide: (a) a list of all medical services, departments, clinical services, and administrative services that shall be maintained at the new hospital; and (b) a description of all departments, clinical, social, or other services or medical services (including emergency and primary care) that will be changed, eliminated, or significantly reduced at the new hospital.

(a) See attached **Exhibit 73(a)**.

(b) Prime-Landmark is currently reviewing all departments, as well as medical, clinical, social and administrative services provided by LMC and RHRI, but has not yet made any final determinations regarding whether such departments and/or services may need to be changed, by eliminating, significantly reducing or enhancing such departments and/or services in the interest of operational efficiency following the proposed conversion.

Radiation Therapy Services, Inc., ("RTS") has asserted a right to purchase LMC's minority interest in Southern New England Regional Cancer Center ("SNERCC") as a result of the proposed conversion. Prime-Landmark has had preliminary discussions with RTS about its assertion and whether certain services currently provided at LMC could be provided more efficiently by SNERCC and whether certain services currently provided at SNERCC could be provided more efficiently by LMC.

In the response to Deficiencies 120 and 121 of the February AG/DOH Request, the following update was provided as to any preliminary determinations regarding any anticipated changes to medical, clinical or administrative services post conversion.

Response:

With the exception of the certain services that could be provided more efficiently by SNERCC discussed below, Prime has made a preliminary determination that the services currently offered at LMC will be maintained.

As discussed in the response to Question 21, Prime has had discussions with respect to Radiation Therapy Services' acquiring LMC's interest in SNERCC. If such a transaction were to occur, Prime believes it may make sense for certain cancer treatments to be provided at SNERCC rather than at LMC but still in the local community as SNERCC may be able to achieve certain efficiencies.

Prime further indicated in the Response to Deficiency 122 of the February AG/DOH Request that Prime does not expect to make any final determinations as to medical services, departments, clinical services, and administrative services until after it has had the opportunity to own and operate the hospitals. Certain preliminary determinations may be made within the next 30 to 60 days.

June 14, 2013 Filing

Prime Holdings

See April Filing, I-73-1 and **Exhibit 73(a)** at LPHCA/I 03899-03900.

PHMI

See April Filing, I-73-1 and **Exhibit 73(a)** at LPHCA/I 03899-03900.

APPENDIX A

1. Please identify the total number of FTEs (full time equivalents) and the associated payroll expense (fringe benefits) at the existing hospital for the last full FY year, for the current budget year and as projected at the new hospital in the first three years after implementation of the proposal.

On the following two pages, see A(1)(LMC) for data related to LMC and A(1)(RHRI) for data related to RHRI.

June 14, 2013 Filing

Prime Holdings

No change to April Filing for A(1) through A(4).

PHMI

No change to April Filing for A(1) through A(4).

A(1)(LMC)

Exhibit A(1) - LMC
LMC

	Past Three Fiscal Years						Budgeted Current Year		Projected First Three Operating Years (if approved)					
	FY: 2010		FY: 2011		FY: 2012		FY: 2013		FY: 2014		FY: 2015		FY: 2016	
Personnel (by major categories)	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes
Clinical	141.06	13,862,572	142.93	14,481,978	136.54	12,840,364	123.92	11,642,113	122.68	12,688,322	123.91	13,135,586	125.15	13,598,615
Finance	38.35	2,615,770	38.32	2,786,995	36.27	2,605,473	36.54	2,507,069	36.17	2,525,632	36.54	2,614,660	36.90	2,706,827
Nursing	327.64	30,262,921	329.1	31,990,623	311.5	29,871,261	301.97	28,297,449	298.95	28,923,763	301.94	29,943,325	304.96	30,998,827
Other	12.85	3,905,474	14.47	4,854,536	13.18	4,525,717	16.77	5,272,891	16.60	4,457,524	16.77	4,614,652	16.94	4,777,318
Support Services	225.52	13,141,731	241.23	15,140,271	226.72	13,922,373	225.73	13,983,313	223.47	13,495,507	225.71	13,971,223	227.96	14,463,709
Totals	745.42	63,788,468	766.05	69,254,403	724.21	63,765,188	704.93	61,702,835	697.88	62,090,747	704.86	64,279,446	711.91	66,545,297

A(1)(RHRI)

EXHIBIT A(1) - RHRI
RHRI

	Past Three Fiscal Years						Budgeted Current Year		Projected First Three Operating Years (if approved)					
	FY: 2010		FY: 2011		FY: 2012		FY: 2013		FY: 2014		FY: 2015		FY: 2016	
Personnel (by major categories)	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes	Number of FTEs	Payroll with Fringes
Clinical			37.89	3,607,549	30.38	2,999,730	31.10	2,750,116	31.10	2,822,264	31.41	2,878,463	31.73	2,957,524
Finance			0	-	0	-	-	-	-	-	-	-	-	-
Nursing			33.93	1,988,609	30.6	2,510,690	32.40	2,539,360	32.40	2,122,915	32.72	2,165,188	33.05	2,224,658
Other			2.52	401,354	2.07	518,347	2.00	565,216	2.00	447,863	2.02	456,781	2.04	469,327
Support Services			21.35	1,097,886	17.2	1,211,318	13.70	990,349	13.70	995,171	13.84	1,014,988	13.98	1,042,866
Totals			95.69	7,095,398	80.25	7,240,085	79.2	6,845,041	79.20	6,388,212	79.99	6,515,420	80.79	6,694,374

Notes:
1. CY 2010 is unavailable due to a crash to database. For RHRI data recaptured back to 2011
2. CY 2012 is projected using 42 weeks of actual

2. Please complete the following table for the existing and new hospital for each year indicated.

On the following three pages, see A(2)(LMC) for data related to LMC and A(2)(RHRI) for data related to RHRI.

June 14, 2013 Filing

Prime Holdings

No change to April Filing.

PHMI

No change to April Filing.

Exhibit A(2) - LMC
LANDMARK MEDICAL CENTER

	Past Three Fiscal Years			Budgeted Current Fiscal Year	Projected Three Fiscal Years (if approved)			
	FY: 2010	**FY: 2011**	**FY: 2012**	**FY: 2013**	**FY: 2014**	**FY: 2015**	**FY: 2016**	
REVENUES								
Net Patient Revenue	113,539,816	113,881,489	115,821,796	118,987,652	121,367,405	123,794,753	126,270,648	[a]
Disproportionate Share Rev	6,502,704	5,422,347	4,940,999	4,468,560	4,587,688	4,696,154	4,807,124	
	6.6%	*5.5%*	*5.0%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*	
Other Operating Rev	3,124,796	2,955,909	2,639,731	2,512,429	2,487,305	2,462,432	2,437,807	
Net Assets Released from Restricted Operations	116,232	108,919	54,632	-	-	-	-	
Total Revenue	123,283,548	122,368,664	123,457,158	125,968,641	128,442,398	130,953,339	133,515,579	
NPR (after Bad Debt)	*97,815,788*	*99,014,422*	*98,215,134*	*99,526,340*	*101,948,620*	*104,358,977*	*106,824,968*	
EXPENSES								
Salaries & Wages	48,473,711	50,140,662	48,927,538	48,712,914	49,431,429	51,173,887	52,977,767	[b]
Employee Benefits	16,020,840	19,632,027	14,938,903	12,475,307	12,659,318	13,105,559	13,567,530	[c]
	33.1%	*39.2%*	*30.5%*	*25.6%*	*25.6%*	*25.6%*	*25.6%*	
Medical & Surgical Supplies	9,563,949	10,628,831	9,536,515	9,401,661	8,098,730	7,802,548	7,487,739	[d]
Other Supplies	1,011,855	1,000,362	889,605	885,851	763,085	735,178	705,516	[d]
Drugs	8,954,303	9,631,242	10,127,516	9,832,023	8,469,450	8,159,710	7,830,491	[d]
	20.0%	*21.5%*	*20.9%*	*20.2%*	*17.0%*	*16.0%*	*15.0%*	
Utilities	1,625,726	1,710,095	1,645,402	1,583,997	1,631,517	1,680,462	1,730,876	
Purchased Services	18,927,803	17,330,344	16,310,616	15,144,871	14,272,807	12,523,077	11,750,747	[e]
	19.4%	*17.5%*	*16.6%*	*15.2%*	*14.0%*	*12.0%*	*11.0%*	
Professional Fees	1,064,914	821,921	835,097	900,888	855,844	813,051	772,399	
	1.1%	*0.8%*	*0.9%*	*0.9%*	*0.8%*	*0.8%*	*0.7%*	
Insurance	3,963,954	2,611,731	2,663,530	2,875,896	2,038,972	2,087,180	2,136,499	[f]
	4.1%	*2.6%*	*2.7%*	*2.9%*	*2.0%*	*2.0%*	*2.0%*	
Depreciation	2,230,934	1,901,223	1,697,917	1,771,043	2,199,614	2,413,900	2,486,317	[g]
Interest	530,784	422,129	893,400	952,376	1,143,400	1,131,966	1,120,646	
Bad Debts Net of Recovery	15,724,028	14,867,067	17,606,662	19,461,312	19,418,785	19,435,776	19,445,680	[h]
	13.8%	*13.1%*	*15.2%*	*16.4%*	*16.0%*	*15.7%*	*15.4%*	
Other	(5,493,472)	813,736	784,200	731,614	716,982	702,642	688,589	
Hospital License Fee	5,503,872	5,568,864	5,585,023	5,517,498	5,572,673	5,628,400	5,684,684	
	5.6%	*5.6%*	*5.7%*	*5.5%*	*5.5%*	*5.4%*	*5.3%*	
Total Expenses	128,103,202	137,080,235	132,441,925	130,247,251	127,272,607	127,393,337	128,385,479	
OPERATING INCOME BEFORE MINORITY INTEREST	(4,819,654)	(14,711,571)	(8,984,767)	(4,278,610)	1,169,791	3,560,001	5,130,100	
Minority Interest	-	-	-	-	-	-	-	
NET OPERATING INCOME	(4,819,654)	(14,711,571)	(8,984,767)	(4,278,610)	1,169,791	3,560,001	5,130,100	
OPERATING MARGIN								
# of Admissions	7,289	7,363	6,796	6,728	6,896	7,069	7,245	
# of ED Visits	43,102	40,690	40,326	40,729	41,137	41,548	41,963	

[a] Prime Landmark expects a modest increase in Net Patient Revenue of 2.0% year over year from FY2014 to FY2016; this is from improved collection efforts, effort to increase efficiences in ED and manage the LOS. Overall volume is projected to remain consistent as all existing contracts remain unchanged.

[b] Prime Landmark expects no additional reduction in force in the projected years; Prime Landmark anticipates a 2.5% pay rate increase consistent to the new Union contract set in place. The slight drop in FTEs for 2014 is more in line in a reallocation of the existing FTEs and we expect the FTE's to increase in 2015 & 2016.

[c] The drop in Employee Benefit is the result of terminating defined benefit plan currently in place; instead, Prime Landmark will offer defined contribution plan will be in place starting FY2014 with employer match for qualified employees. In addition, employee health will be rolled into Prime's self funded EPO plan at lower employee cost due to Prime's bargaining power.

[d] Prime Landmark expects significant drop in supplies & drug cost after switching to Prime Healthcare's materials management supplies system with more competitive

A(2)(LMC) - Continued

purchase cost as well as increased efficiencies in supplies & drug usage management. The supplies cost in % to NPR is projected to be more in line with Prime's average of

[e] Prime Landmark expects termination of non-essential contracts and brining more services in-house for more efficient cost management. The cost is expected to reduce year over year to be in line with Prime's average of approx. 7% of NPR.

[f] Once the Hospital is included in Prime Healthcare's insurance coverages, insurance cost is expected to drop significantly due to Prime Healthcare's purchasing power and its utilization of captive insurance.

[g] Depreciation expense is expected to increase in conjunction with the capital expenditure commitment Prime Landmark has dedicated to invest into the Hospital. The projection includes $2M capital expenditure in FY2013 calendar year and $3M in FY2014.

[h] Bad debt expense is expected to improve marginally year over year from FY2014 through FY2016 as Prime continues improve the collection effort.

A(2)(RHRI)

Exhibit A(2) - RHRI
RHRI

	Past Three Fiscal Years			Budgeted Current Fiscal Year	Projected Three Fiscal Years (if approved)			
	FY: 2010	FY: 2011	FY: 2012	FY: 2013	FY: 2014	FY: 2015	FY: 2016	
REVENUES								
Net Patient Revenue	13,158,259	11,832,670	8,679,533	9,179,000	9,362,580	9,549,832	9,740,828	[a]
Other Operating Rev	676,938	778,843	524,297	482,159	486,981	491,850	496,769	
Total Revenue	13,835,197	12,611,513	9,203,830	9,661,159	9,849,561	10,041,682	10,237,597	
NPR (after Bad Debt)	*13,027,261*	*11,705,613*	*8,440,701*	*8,907,492*	*9,081,703*	*9,263,337*	*9,448,603*	
EXPENSES								
Salaries & Wages	6,446,664	6,009,128	4,283,343	4,616,594	4,732,009	4,898,812	5,071,495	[b]
Employee Benefits	2,394,735	2,549,753	1,856,315	2,231,723	1,656,203	1,616,608	1,622,878	[c]
	37.1%	*42.4%*	*43.3%*	*48.3%*	*35.0%*	*33.0%*	*32.0%*	
Medical & Surgical Supplies	169,631	130,868	78,191	79,230	80,780	82,395	84,043	[d]
Other Supplies	81,156	84,722	62,598	75,176	76,646	78,179	79,743	[d]
	1.9%	*1.8%*	*1.7%*	*1.7%*	*1.7%*	*1.7%*	*1.7%*	
Utilities	228,857	225,607	217,390	229,826	236,824	243,928	251,246	
Purchased Services	4,150,170	3,887,270	2,684,837	2,801,766	2,452,060	2,315,834	2,173,179	[e]
	31.9%	*33.2%*	*31.8%*	*31.5%*	*27.0%*	*25.0%*	*23.0%*	
Professional Fees	64,491	170,218	138,548	156,425	148,604	141,174	134,115	
	0.5%	*1.5%*	*1.6%*	*1.8%*	*1.6%*	*1.5%*	*1.4%*	
Insurance	259,738	255,545	212,591	255,466	181,634	185,267	188,972	[f]
	2.0%	*2.2%*	*2.5%*	*2.9%*	*2.0%*	*2.0%*	*2.0%*	
Depreciation	18,391	18,479	15,598	18,813	19,377	19,959	20,557	
Interest	3,297	8,684	2,437	2,932	2,639	2,375	2,137	
Bad Debts Net of Recovery	130,998	127,057	238,832	271,508	280,877	286,495	292,225	
	1.0%	*1.1%*	*2.8%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	
Other	218,082	260,635	216,688	226,642	222,109	217,667	213,314	
Total Expenses	14,166,211	13,727,967	10,007,369	10,966,202	10,089,763	10,088,694	10,133,906	
OPERATING INCOME BEFORE MINORITY INTEREST	(331,014)	(1,116,454)	(803,539)	(1,305,043)	(240,202)	(47,012)	103,691	
Minority Interest	-	-	-	-	-	-	-	
NET OPERATING INCOME	(331,014)	(1,116,454)	(803,539)	(1,305,043)	(240,202)	(47,012)	103,691	
OPERATING MARGIN								
# of Admissions	638	533	444	440	448	457	466	
# of ED Visits	-	-	-	-	-	-	-	

[a] Prime Landmark expects a modest increase in Net Patient Revenue of 2.0% year over year from FY2014 to FY2016; this is from improved collection effort and effort to increase efficiencies. Overall volume is projected to remain consistent as all existing contracts remain unchanged.

[b] Prime Landmark expects no additional reduction in force in the projected years; Prime Landmark anticipates a 2.5% pay rate increase consistent to the new Union contract

[c] Prime Landmark will offer defined contribution plan will be in place starting FY2014 with employer match for qualified employees. In addition, employee health will be rolled into Prime's self funded EPO plan at lower employee cost due to Prime's bargaining power.

[d] Prime Landmark expects a drop in supplies cost after switching to Prime Healthcare's materials management supplies system with more competitive purchase cost as well as increased efficiencies in supplies usage management. The $ increases Y o Y are due to inflation in the cost of supplies estimated at 2% per year.

[e] Prime Landmark expects termination of non-essential contracts and brining more services in-house for more efficient cost management. The cost is expected to reduce year over year to be in line with Prime's average. There isn't a significant decrease here b/c much of the purchased srvces come from LMC.

[f] Once the Hospital is included in Prime Healthcare's insurance coverages, insurance cost is expected to drop significantly due to Prime Healthcare's purchasing power and its utilization of captive insurance.

3. Please complete the table below for the existing and new hospital for each year indicated.

On the following two pages, see A(3)(LMC) for data related to LMC and A(3)(RHRI) for data related to RHRI.

As requested in Deficiency 123 of the February AG/DOH Request, **Appendix A-3** was modified to include data for net patient revenue. In response to the April AG /DOH Request for Deficiency 123, please see the second chart of **Appendix A-3**.

June 14, 2013 Filing

Prime Holdings

No change to April Filing.

PHMI

No change to April Filing.

A(3)(LMC)

Exhibit A(3) - LMC
LMC

	Past Three Fiscal Years						Budgeted Current Fiscal Year		Projected Three Fiscal Years (if approved)					
	FY: 2010		FY: 2011		FY: 2012		FY: 2013		FY: 2014		FY: 2015		FY: 2016	
Gross Charges														
PAYOR SOURCE	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Medicare	116,112,984	31.67%	124,937,915	31.62%	129,297,436	31.42%	143,312,118	33.00%	152,250,000	35.00%	161,320,000	37.00%	174,800,000	40.00%
Medicaid	15,966,507	4.36%	17,353,086	4.39%	15,153,228	3.68%	20,628,259	4.75%	23,925,000	5.50%	26,160,000	6.00%	26,220,000	6.00%
Blue Cross	90,455,418	24.67%	89,200,781	22.57%	85,928,687	20.88%	92,284,318	21.25%	89,175,000	20.50%	87,200,000	20.00%	87,400,000	20.00%
Commercial	15,795,932	4.31%	18,474,331	4.68%	18,187,960	4.42%	18,456,864	4.25%	16,312,500	3.75%	13,080,000	3.00%	10,925,000	2.50%
HMO's	102,616,754	27.99%	116,454,160	29.47%	125,706,496	30.55%	122,683,858	28.25%	118,537,500	27.25%	116,630,000	26.75%	109,250,000	25.00%
Self Pay	18,400,582	5.02%	18,953,464	4.80%	21,192,208	5.15%	24,971,051	5.75%	26,100,000	6.00%	26,160,000	6.00%	26,220,000	6.00%
Other	7,251,820	1.98%	9,773,988	2.47%	16,013,419	3.89%	11,942,676	2.75%	8,700,000	2.00%	5,450,000	1.25%	2,185,000	0.50%
Total	366,599,997		395,147,725		411,479,434		434,279,145		435,000,000		436,000,000		437,000,000	
							5.5% Charge Increase done 10/1/12		No charge increase just CDM adjustments		No charge increase just CDM adjustments		No charge increase just CDM adjustments	
Charity Care (cost)	1,687,733		1,931,872		1,646,989		2,171,396		2,283,750		2,398,000		2,512,750	
Net Revenue														
PAYOR SOURCE														
Medicare	30,030,567	26.4%	30,377,145	26.7%	30,355,561	26.2%	29,966,056	25.2%	35,784,418	29.5%	40,687,776	32.9%	47,086,708	37.3%
Medicaid	4,585,325	4.0%	4,135,716	3.6%	2,202,299	1.9%	4,768,256	4.0%	5,432,931	4.5%	5,940,459	4.8%	5,954,084	4.7%
Blue Cross	29,689,338	26.1%	27,706,157	24.3%	25,284,779	21.8%	25,072,383	21.1%	26,850,154	22.1%	27,255,491	22.0%	27,315,710	21.6%
Commercial	9,786,286	8.6%	11,073,076	9.7%	11,212,037	9.7%	10,689,223	9.0%	9,836,167	8.1%	7,887,023	6.4%	6,587,594	5.2%
HMO's	25,234,785	22.2%	27,053,673	23.8%	27,550,009	23.8%	27,185,473	22.8%	27,138,827	22.4%	26,702,110	21.6%	25,012,480	19.8%
Self Pay	13,226,420	11.6%	12,573,816	11.0%	15,492,773	13.4%	12,561,665	10.6%	13,536,347	11.2%	13,575,037	11.0%	13,613,727	10.8%
Other	987,095	0.9%	961,915	0.8%	3,724,184	3.2%	8,744,596	7.3%	2,788,561	2.3%	1,746,857	1.4%	700,345	0.6%
Total	113,539,816		113,881,498		115,821,642		118,987,652		121,367,405		123,794,753		126,270,648	
Charity Care (cost)	1,687,733		1,931,872		1,646,989		2,171,396		2,283,750		2,398,000		2,512,750	

A(3)(RHRI)

Exhibit A(3) - RHRI
RHRI

	Past Three Fiscal Years						Budgeted Current Fiscal Year		Projected Three Fiscal Years (if approved)					
	FY: 2010		FY: 2011		FY: 2012		FY: 2013		FY: 2014		FY: 2015		FY: 2016	
PAYOR SOURCE	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Medicare	11,467,264	39.44%	10,941,562	39.41%	8,509,565	44.02%	9,820,037	44.25%	10,125,000	45.00%	10,695,000	46.50%	11,162,500	47.50%
Medicaid	1,155,202	3.97%	1,067,088	3.84%	577,197	2.99%	887,687	4.00%	1,125,000	5.00%	1,265,000	5.50%	1,410,000	6.00%
Blue Cross	8,380,878	28.82%	6,863,109	24.72%	4,308,146	22.29%	5,104,200	23.00%	5,062,500	22.50%	5,002,500	21.75%	5,052,500	21.50%
Commercial	979,584	3.37%	1,495,503	5.39%	908,074	4.70%	998,648	4.50%	956,250	4.25%	920,000	4.00%	822,500	3.50%
HMO's	5,727,738	19.70%	5,806,429	20.92%	3,872,294	20.03%	4,549,396	20.50%	4,556,250	20.25%	4,542,500	19.75%	4,582,500	19.50%
Self Pay	150,063	0.52%	122,729	0.44%	309,313	1.60%	277,402	1.25%	225,000	1.00%	230,000	1.00%	235,000	1.00%
Other	1,215,976	4.18%	1,464,859	5.28%	846,950	4.38%	554,804	2.50%	450,000	2.00%	345,000	1.50%	235,000	1.00%
Total	29,076,705		27,761,279		19,331,539		22,192,175		22,500,000		23,000,000		23,500,000	
Charity Care	36,291		46,919		24,201		55,480		56,250		80,500		117,500	
Net Revenue														
PAYOR SOURCE														
Medicare	5,737,225	43.6%	5,101,105	43.1%	4,709,571	50.5%	4,054,101	44.2%	4,213,161	45.0%	4,440,672	46.5%	4,626,893	47.5%
Medicaid	958,736	7.3%	812,924	6.9%	240,261	2.6%	400,777	4.4%	468,129	5.0%	525,241	5.5%	584,450	6.0%
Blue Cross	3,502,536	26.6%	2,838,526	24.0%	1,816,449	19.5%	1,935,190	21.1%	2,106,581	22.5%	2,077,088	21.8%	2,094,278	21.5%
Commercial	519,806	4.0%	997,726	8.4%	729,941	7.8%	714,646	7.8%	397,910	4.3%	381,993	4.0%	340,929	3.5%
HMO's	2,147,500	16.3%	1,772,466	15.0%	1,452,376	15.6%	1,517,673	16.5%	1,895,922	20.3%	1,886,092	19.8%	1,899,461	19.5%
Self Pay	71,510	0.5%	40,755	0.3%	266,486	2.9%	176,117	1.9%	93,626	1.0%	95,498	1.0%	97,408	1.0%
Other	220,946	1.7%	269,164	2.3%	116,039	1.2%	380,496	4.1%	187,252	2.0%	143,247	1.5%	97,408	1.0%
Total	13,158,259		11,832,666		9,331,123		9,179,000		9,362,580		9,549,832		9,740,828	
Charity Care (cost)	36,291		46,919		24,201		55,480		56,250		80,500		117,500	

4. Please complete the table below for the new hospital's substantial capital needs.

Capital Needs	Source of Funding for Capital Needs	Cost of Satisfying Capital Needs	Date of Projected Completion
Plumbing & Fire System – Repair & Replacement	Equity from Parent	$2,000,000	Ongoing with full completion by 4th Quarter 2014
HVAC Systems – Repair and Replacement	Equity from Parent	$7,000,000	Ongoing with full completion by 4th Quarter 2014
Electrical Systems – Repair and Replacement	Equity from Parent	$3,500,000	Ongoing with full completion by 4th Quarter 2014
Sitework – Repair & Replacement	Equity from Parent	$1,100,000	Ongoing with full completion by 4th Quarter 2014
Façade & Roof – Repair and Replacement	Equity from Parent	$2,500,000	Ongoing with full completion by 4th Quarter 2014
Interiors – Repair and Replacement	Equity from Parent	$2,500,000	Ongoing with full completion by 4th Quarter 2015
Information Systems – New System	Equity from Parent	$6,000,000	1st Quarter 2014
Patient Care Equipment – New Equipment	Equity from Parent	$6,000,000	Ongoing

June 14, 2013 Filing

Prime Holdings

No change to April Filing.

PHMI

No change to April Filing.

APPENDIX B

Please provide the total cost necessary to implement this proposal and allocate this amount to the sources of funds categories listed below:

TOTAL PROJECT COST	$43,250,000.00*
SOURCE OF FUNDS	AMOUNT
a. Funded Depreciation	$_____
b. Other restricted funds (specify)	$_____
c. Unrestricted funds (specify)	$_____
d. Owner's equity	$43,250,000.00
e. Cash (if different from owner's equity)	$_____
f. Unrestricted donations or gifts	$_____
g. Restricted donations or gifts	$_____
h. Other non-debt funds	$_____
i. Sub-Total Equity Funds	**$43,250,000.00**
j. Subsidized loan (e.g., FHA etc)	$_____
k. Tax-exempt bonds (specify)	$_____
l. Conventional mortgage	$_____
m. Lease or rental	$_____
n. Other debt funds	$_____
o. Sub-Total Debt Funds	**$0**
p. **Total Source of Funds**	$43,250,000.00

* should equal the response for line "p"

** Equity means non-debt funds contributed towards the capital cost related to a conversion of a hospital which funds are free and clear of any repayment or liens against the assets of the proposed owner and/or licensee and that result in a like reduction in the portion of the capital cost that is required to be financed or mortgaged.

*** If debt financing is indicated, please complete Appendix C.

June 14, 2013 Filing.

Prime Holdings

No change to April Filing.

PHMI

No change to April Filing.

APPENDIX C

Debt Financing

Name of Acquiror: Prime-Landmark. No debt financing is contemplated.

Not applicable. No debt financing.

June 14, 2013 Filing

Prime Holdings

No change to April Filing.

PHMI

No change to April Filing.

APPENDIX D

CHANGE, ELIMINATION OR REDUCTION IN SERVICES

Please provide a written plan describing the proposed change, reduction or elimination that shall include, at a minimum, the following information:

1. **Description of the services to be changed, reduced, or eliminated;**

   Prime-Landmark anticipates that certain non-clinical services such as finance and accounting services as well as other support services such as billing and collection, at LMC and RHRI may be consolidated on a regional or corporate level such that the services provided on-site at LMC or RHRI may be reduced, but not eliminated altogether.

2. **The proposed change(s) in hours of operation, if any;**

   None.

3. **The proposed change(s) in staffing, if any;**

   If the changes described in response to Item 1 above are implemented, Prime-Landmark anticipates a minimal impact on staffing levels at LMC and RHRI as the consolidation will still require a local presence in each service area.

4. **The documented length of time the services to be changed, reduced, or eliminated have been available at the facility;**

   Certain finance, accounting, and other non-clinical services have always been provided at LMC and RHRI and will continue to be available.

5. **The number of patients utilizing those services that are to be changed, reduced, or eliminated annually during the most recent 3 years;**

   Not applicable.

6. **Aggregate data delineating the insurance status of the individuals served by the facility during the most recent 3 years;**

   Not applicable.

7. **Data describing the insurance status of those individuals utilizing those services that are to be changed, reduced, or eliminated annually during the most recent 3 years;**

   Not applicable.

8. **The geographical area for which the facility provides services; and**

   Northern Rhode Island.

9. **Identification and description, including supporting date and statistical analyses, of the impact of the proposed change, elimination or reduction on:**

(a) Access to health care services for traditionally underserved populations, including but not limited to, Medicaid, uninsured and underinsured patients, and racial and ethnic minority populations;

Not applicable.

(b) The delivery of such services on the affected community in the cities and towns whose residents are regularly served by the hospital (the "affected" cities and towns);

Not applicable.

(c) Other licensed hospitals or health care providers in the affected communities or cities and towns; and

Not applicable.

(d) Other licensed hospitals or health care providers in the state.

Not applicable.

June 14, 2013 Filing

Prime Holdings

No change to April Filing.

PHMI

No change to April Filing.

APPENDIX E

DISCLOSURE OF OWNERSHIP AND CONTROL INTEREST

All applicants must complete this Appendix.

Please answer the following questions by checking either "Yes" or "No." If any of the questions are answered "Yes," please list the names and addresses of individuals or corporations on an attached sheet (identify each answer with the appropriate number of the question). If yes, please provide details.

1. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquiree, that have been convicted of a criminal offense related to the involvement of such persons or organizations in anyof the programs established by Title XVIII, XIX of the Social Security Act?**

   Yes ____ No X

2. **Will there be any directors, officers, agents, or managers of the acquirer or acquiree who have ever been convicted of a felony offense or any other offenses related to their involvement in such programs established by Titles XVIII, XIX of the Social SecurityAct?**

   Yes ____ No X

3. **Are there (or will there be) any individuals employed by the acquirer or acquiree in a managerial, accounting, auditing, or similar capacity who were employed by the applicant's fiscal intermediary within the past 12 months (Title XVIII providers only)?**

   Yes ____ No X

4. **Will there be any individuals (or organizations) having direct (or indirect) ownership interests, separately or in combination, of 5 percent or more in the acquirer? (Indirect ownership interest is ownership in any entity higher in a pyramid than the applicant.)**

   Yes X No ____ (Note, if the applicant is a subsidiary of a "parent" corporation, the response is "Yes")

5. **Will there be individuals (or organizations) that have an ownership interest (equal to at least 5 percent of the facility's assets) in a mortgage or other obligation secured by the facility?**

   Yes ____ No X

6. **Will there be any individuals (or organizations) that have an ownership or control interest of 5 percent or more in a subcontractor in which the acquirer or acquiree has a direct or indirect ownership interest of 5 percent or more (please also identify those subcontractors)?**

   Yes ____ No X

7. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquiree, who have been direct (or indirect) owners or employees of a health care facility against which sanctions (of any kind) were imposed by any governmental agency?**

   Yes ____ No X

8. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquire, that have been convicted of a felony or any crime arising out of the delivery of any health care item or service?**

   Yes ____ No X

Deficiency 124 of the February AG/DOH Request asked whether Question E-7 above should be revised in light of the privacy breach at Shasta Regional Medical Center, as described in the response to Question 22.

Prime continues to believe that the response to Question #E-7 is correct as the penalty imposed by the California Department of Public Health is not a sanction and is the subject of an appeal. Payment has not been demanded and payment has not been made in light of pending appeal.

Information Re: Question 4

Prime-Landmark is a wholly owned subsidiary of PHSI, 3300 East Guasti Road, 3rd Floor, Ontario, California 91761.

The sole shareholder of PHSI, is Prime Healthcare Holdings, Inc., 3300 East Guasti Road, 3rd Floor, Ontario, California 91761.

June 14, 2013 Filing

APPENDIX E
(Prime Holdings)

DISCLOSURE OF OWNERSHIP AND CONTROL INTEREST

All applicants must complete this Appendix.

Please answer the following questions by checking either "Yes" or "No." If any of the questions are answered "Yes," please list the names and addresses of individuals or corporations on an attached sheet (identify each answer with the appropriate number of the question). If yes, please provide details.

1. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquiree, that have been convicted of a criminal offense related to the involvement of such persons or organizations in anyof the programs established by Title XVIII, XIX of the Social Security Act?**

   Yes ____ No X

2. **Will there be any directors, officers, agents, or managers of the acquirer or acquiree who have ever been convicted of a felony offense or any other offenses related to their involvement in such programs established by Titles XVIII, XIX of the Social SecurityAct?**

   Yes ____ No X

3. **Are there (or will there be) any individuals employed by the acquirer or acquiree in a managerial, accounting, auditing, or similar capacity who were employed by the applicant's fiscal intermediary within the past 12 months (Title XVIII providers only)?**

   Yes ____ No X

4. **Will there be any individuals (or organizations) having direct (or indirect) ownership interests, separately or in combination, of 5 percent or more in the acquirer? (Indirect ownership interest is ownership in any entity higher in a pyramid than the applicant.)**

   Yes X No ____ (Note, if the applicant is a subsidiary of a "parent" corporation, the response is "Yes")

5. **Will there be individuals (or organizations) that have an ownership interest (equal to at least 5 percent of the facility's assets) in a mortgage or other obligation secured by the facility?**

Yes ____ No X

6. **Will there be any individuals (or organizations) that have an ownership or control interest of 5 percent or more in a subcontractor in which the acquirer or acquiree has a direct or indirect ownership interest of 5 percent or more (please also identify those subcontractors)?**

   Yes ____ No X

7. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquiree, who have been direct (or indirect) owners or employees of a health care facility against which sanctions (of any kind) were imposed by any governmental agency?**

   Yes ____ No X

8. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquire, that have been convicted of a felony or any crime arising out of the delivery of any health care item or service?**

   Yes ____ No X

See also April Filing, Appendix E, as to PHSI and Prime Landmark.

Information Re: Question 4

Prime Landmark is a wholly owned subsidiary of PHSI, 3300 East Guasti Road, 3rd Floor, Ontario, California 91761. The sole shareholder of PHSI is Prime Holdings, 3300 East Guasti Road, 3rd Floor, Ontario, California 91761. The sole shareholder of Prime Holdings is KASP Trust, 3300 East Guasti Road, 3rd Floor, Ontario, California 91761.

June 14, 2013 Filing

APPENDIX E
(PHMI)

DISCLOSURE OF OWNERSHIP AND CONTROL INTEREST

All applicants must complete this Appendix.

Please answer the following questions by checking either "Yes" or "No." If any of the questions are answered "Yes," please list the names and addresses of individuals or corporations on an attached sheet (identify each answer with the appropriate number of the question). If yes, please provide details.

1. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquiree, that have been convicted of a criminal offense related to the involvement of such persons or organizations in anyof the programs established by Title XVIII, XIX of the Social Security Act?**

   Yes ____ No X

2. **Will there be any directors, officers, agents, or managers of the acquirer or acquiree who have ever been convicted of a felony offense or any other offenses related to their involvement in such programs established by Titles XVIII, XIX of the Social SecurityAct?**

   Yes ____ No X

3. **Are there (or will there be) any individuals employed by the acquirer or acquiree in a managerial, accounting, auditing, or similar capacity who were employed by the applicant's fiscal intermediary within the past 12 months (Title XVIII providers only)?**

   Yes ____ No X

4. **Will there be any individuals (or organizations) having direct (or indirect) ownership interests, separately or in combination, of 5 percent or more in the acquirer? (Indirect ownership interest is ownership in any entity higher in a pyramid than the applicant.)**

   Yes X No ____ (Note, if the applicant is a subsidiary of a "parent" corporation, the response is "Yes")

5. **Will there be individuals (or organizations) that have an ownership interest (equal to at least 5 percent of the facility's assets) in a mortgage or other obligation secured by the facility?**

Yes ____ No X

6. **Will there be any individuals (or organizations) that have an ownership or control interest of 5 percent or more in a subcontractor in which the acquirer or acquiree has a direct or indirect ownership interest of 5 percent or more (please also identify those subcontractors)?**

   Yes ____ No X

7. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquiree, who have been direct (or indirect) owners or employees of a health care facility against which sanctions (of any kind) were imposed by any governmental agency?**

   Yes ____ No X

8. **Will there be any individuals (or organizations) having a direct (or indirect) ownership or control interest of 5 percent or more in the acquirer or acquire, that have been convicted of a felony or any crime arising out of the delivery of any health care item or service?**

   Yes ____ No X

See also April Filing, Appendix E, as to PHSI and Prime Landmark.

Information Re: Question 4

Prem Reddy Family Trust, 3300 East Guasti Road, 3rd Floor, Ontario, California 91761, is the sole shareholder of PHMI.

APPENDIX F

DEBT FINANCING

Acquirors contemplating the incurrence of a financial obligation for full or partial funding must complete and submit this appendix.

Not applicable. No debt financing contemplated.

Prime Holdings

No change to April Filing.

PHMI

No change to April Filing.