Sonoma Valley Hospital
2012 Three-Year Rolling Strategic Plan

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Executive Summary

The Sonoma Valley Hospital three-year rolling strategic plan is the culmination of planning sessions held with the Executive Management Team, Board and Physicians from September to December 2011. On December 7, 2011, the hospital held a public meeting at the Community Center and approximately 25 people attended and offered their input on the new strategic plan. The draft plan was distributed to over 100 Sonoma Valley leaders and community members prior to this meeting. Finally, a Board retreat was held on December 8, 2011, to review the market assessment and to prioritize the short-term initiatives (12 – 18 months.)

The strategic planning process included the following objectives:

1. Conduct an environmental and market assessment to assess the future and determine the growth and financial opportunities in the marketplace;
2. Conduct a cultural assessment to determine the current culture and determine if we are in a position to continue to improve quality, customer service, staff development, accountability and ownership;
3. Develop a 3-Year rolling strategic plan based on a clear mission, vision, values and develop measurable objectives to be achieved within the first 12 – 18 months;
4. Understand the perspectives and needs of key stakeholders such as the physicians, community leaders, district residents, businesses and payers.
5. Quantify the demand for existing services as the analytical foundation for planning and then develop the hospital's approach. .

Environment Assessment

Hospitals and health systems face an unprecedented intensity and pace of changes in the near and longer-term future. The American Hospital Association Committee on Research issued its "Strategic Issues Forecast for 2015" which described the "health care transformation" being driven by two overriding themes: "achieving better value" and "improving health." The committee projected five major strategic issues:

1) **Efficiency** - With a slow recovering economy and emergency health care policy changes, there will be increasing pressure on all health care organizations to increase efficiency. As the Affordable Care Act's encouragement to extended healthcare coverage to more uninsured Americans, there will not be enough money in the system unless care is provided more efficiently.

2) **New payment models** – such as value-based purchasing, shared savings, quality improvement incentives, and bundled hospital-physician payments for episodes of care will shift fee for service payments and incentives to treating the sick to incentives to first keep people healthy as well as treating their ills safely and effectively when care is required.

3) **Reduce cost of care** - Bending the cost curve will be essential for the long-term financial sustainability of health care for the nation and maintaining global competitiveness for the economy.

4) **New models of care** – such as medical homes and accountable care organizations that emphasize care coordination across hospitals and health systems, other providers, and the community will be a critical element for quality improvement.

5) **Quality** – Quality is improving, but must be further accelerated. AHRQ found improvement has occurred in quality measures of hospital's acute treatment, but significant opportunities still lie untapped in such areas as: access to prevention and primary care services, adoption of evidence-based best practices, and reduction of disparities in mortality following complications among minority groups.

Market Assessment

The strategic planning process for Sonoma Valley Hospital includes a comprehensive market assessment. The major findings from the market assessment are follows:

- Combined Service area (which includes the majority of the healthcare district) population is 38,426 of which SVH has 47.8% if all inpatient admissions and 48.6% market share in the primary service area in 2010. This is up from 2007 of which it was 46.4%.
- Kaiser Hospitals have 17.9% of all inpatient admissions from our service area.
- 19.5% of the combined service area is over 65 years of age which is significantly higher than the 13% average in the United States. Sonoma's population is projected to decrease slightly over 5 years and the hospital's growth is not expected to come from increases in population.
- Our highest inpatient market share is in Rehabilitation or "Skilled Nursing" at 95%. The other service lines performing above 50% are: Gynecology at 59.1%, by Medicine at 56.7%, Gastroenterology at 54.4%, Pulmonary at 50.9%.
- Opportunities for improving inpatient market share based on our primary hospital services include Orthopedics which is currently at 37% up from 2007 at 33.9%; Obstetrics which is currently 47.5% down from 53.3% in 2007; and General Surgery which is currently 32.9% down from 39.7% in 2007.
- Overall surgery market share continues to be flat in 2010 at 27% with outpatient surgery market share at 31.8%. The highest market share is in Gynecology at 59.4%, followed by Orthopedics at 33.9% and General Surgery at 32.9%.
- Emergency market share continues to be high at 69.5% for the combined service area. Seventy three percent of these patients were Medicare and 10% were Medi-Cal.

- Forty one percent of Medicare patients in our combined service area are receiving care outside of Sonoma Valley Hospital.
- The Hispanic population is expected to grow from 25.2% of the total population in 2010 to 28.9% in 2015.
- Our greatest Medicare inpatient market share is held in the city of Sonoma and no significant market share is held in any target service areas. We do have 15.3% of the market in Kenwood.
- Based on national trends and the *iVantage* demand model, inpatient demand is expected to increase by 2.1% from 2010 – 2015.
- Based on national trends and the *iVantage* demand model, demand is expected to increase in diagnostics by 7.1% and outpatient visits by 5.6%
- Average physician age is improving after the addition of 3 new primary care physicians, 2 general surgeons and 1 orthopedic physician. There is still a need for an additional GYN.
- Medicare is our largest payor at 74% and pays us 89% of current costs. Medi-cal is our second largest payer and pay us 72% of current costs.
- A significant number of Sonoma businesses in our service area are small they do not qualify or cannot afford most commercial insurance plans, therefore local employers often choose Kaiser.

Culture Assessment

An organization culture inventory was performed in October, 2011 to determine if our organization has a constructive culture and if we have the ability to effectively execute strategic initiatives. It was determined that the “right” behaviors are currently expected and encouraged at Sonoma Valley Hospital and there is clear direction and high intensity to achieve results.

Balanced Dashboard

In keeping with the balanced dashboard and our continued focus on positive results in all areas, we decided to identify our strategies by the following themes:

- Quality and Service Excellence
- People and Innovation
- Growth and Community
- Financial Stability

Since the hospital is performing well compared to the national averages in Quality and Service Excellence and the culture assessment shows that SVH is in an excellent position for continued positive change with our “people,” the leadership and board chose to focus on the growth, community, financial stability and innovation for the major strategies beginning in 2012. The hospital is committed to become a best practice quality hospital and to guide Sonoma residents through their healthcare journey. Success will be measured in 12 – 18 months on the following 5 major initiatives:

1) ***Continue to enhance and grow our regional system for financial stability and be positioned for healthcare reform***

2) ***Reduce out-migration through partnerships with commercial and senior insurance companies to encourage local businesses to stay local***

3) ***Increase efficiency and become profitable with Medicare patients through improved utilization and efficient inpatient care***

4) ***Partner with physicians on the borders of the healthcare district to encourage patients to travel the same distance and yet use Sonoma Valley Hospital especially for Orthopedics, Bariatrics and Women's Health***

5) ***Improve the health of the community with a special focus on our growing populations: Seniors and Latino.***

Situation Analysis

SVH is a nonprofit district hospital located in the city of Sonoma California, with a publicly elected Board of Directors. The hospital has 83 licensed beds, 6 of which are critical care beds and 27 of which are skilled nursing beds, and an average daily census of approximately 44.

Sonoma Valley Hospital is completing our transformation as we continue to ensure that quality health care services are easily accessible and local. We strive to fortify our financial position so that we can continue to reinvest in our community and infrastructure. SVH is affiliated with Marin General Hospital in Marin County through a management services agreement. This partnership has helped SVH develop financial stability by enhancing clinical affiliations and continuing to recruit top providers to Sonoma. Through collaboration and consolidation with other hospitals, we are in a better position for healthcare reform and expenses are better controlled.

Physicians are the lifeline of our hospital. We have created excellent partnerships with our local medical community, including Sonoma Community Health Center. We strive to achieve a seamless continuum of care that serves both the physician and patient. SVH has over 100 physicians on the medical staff, with most specialties represented locally. In 2011, Sonoma Valley Hospital joined in an alliance with Prima Medical Foundation which now employs 7 physicians in Sonoma. Marin General Hospital is also a member of this physician foundation.

Clinical and service excellence is our foundation. With excellent clinical outcomes as demonstrated by national core quality measures, we continue to modernize our care through our new Electronic Health Record and care management. Our patient satisfaction is our motivation. With the assistance of Studer Group, we are now above the hospital average in satisfaction and continue to rise.

The master facility plan was completed in 2011. With the support of our community, the hospital is completing the necessary improvements to become seismically stable and is breaking ground on our new Emergency and Surgical Wing in early 2012. As we enhance our community trust, we have begun to see more philanthropic support which will be the mechanism to bring Sonoma Valley residents a state of the art healthcare facility.

SVH Hospital Performance Dashboard

The hospital measures internal performance on a monthly basis using a balanced scorecard approach. SVH's dashboard is composed of the following pillars: service excellence, quality, people, finance, growth and community. These metrics are commonly used by hospitals in the nation.

December 2011 Dashboard

Performance Goals	Objective	Metric	Actual Result	National Benchmark
Service Excellence	High Patient Satisfaction	Press Ganey Monthly Scores Mean score > 86% or 50^{th} percentile	Inpatient 86.5% Surgery 92.2% Outpatient 92.2% ER 84.1%	50^{th} percentile means we score higher than 50% of the hospitals in the nation
Quality	Excellent Clinical Outcomes	Value Based Purchasing Clinical Score > 90%	100%	Hospitals in the U.S. average 91.1%
People	Highly Engaged and Satisfied Staff	Staff Satisfaction Scores > 75% or 50^{th} percentile	Baseline score of 72% taken 12/2010 showed 42^{nd} percentile	50^{th} percentile means we score higher than 50% of the hospitals in the nation
	Retain excellent staff members	Turnover	9.0% (36/298)	Hospitals in the U.S. average 12%
Finance	Financial Viability	Achieve an EBIDA > 8%	6%	Stable hospitals in the U.S. reach EBIDA of >8%. U.S. average is 7.5%.
	Expense Management	Maintain Operating Expenses under budget	$25,234,244 (actual) $25,759,837 (budget)	SVH is a very efficient hospital compared to California hospitals
Growth	Inpatient Volumes	1% increase (acute discharges over prior year)	776 YTD 2012 803 YTD 2011	U.S. average for inpatient admissions is down 1% over prior year. U.S. outpatient revenues average 3% increases per year.
	Outpatient Volumes	3% increase (gross outpatient revenue over prior year)	$45.8 million YTD $44.1 million 2011	
Community	Market Share	50% in combined service area	48%	U.S. average is 50%

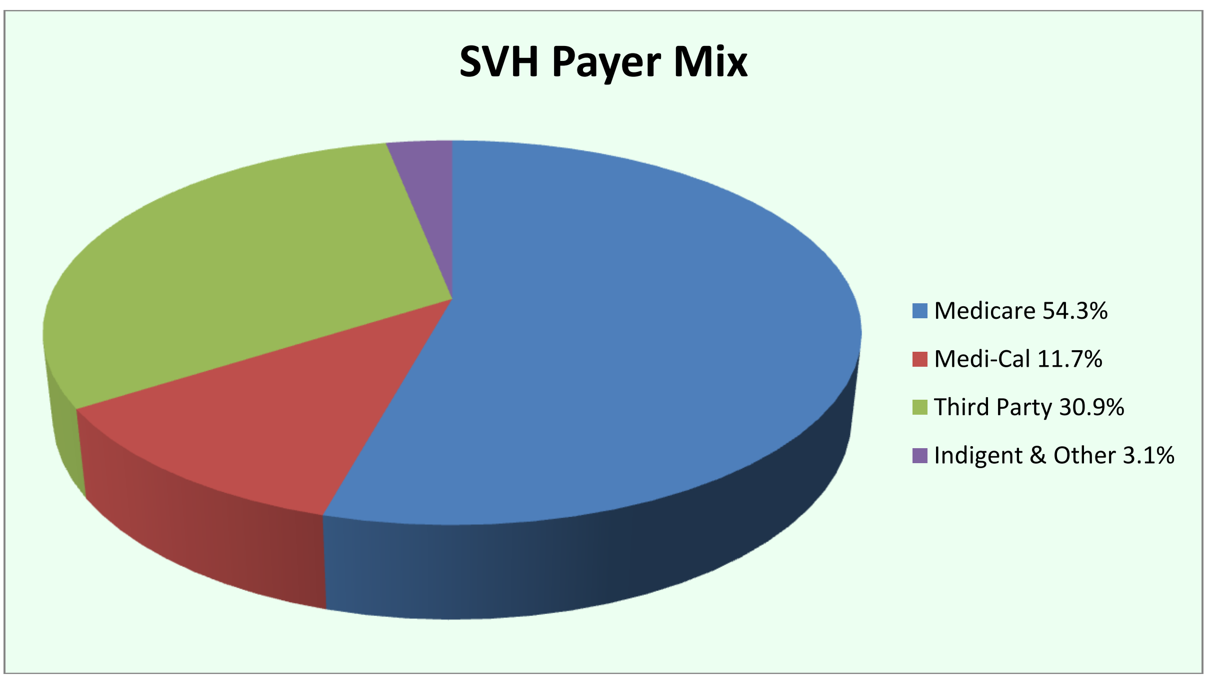
SVH Historical Financial Performance Trends

(Dollars in Thousands)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Projected FY 2012
Net Revenues	38,208	39,037	40,905	40,063	45,764	48,714
Labor Expense	22,195	22,454	23,185	22,841	24,436	24,999
Nonlabor Expense	18,509	20,741	20,100	20,489	25,362	27,607
Total Expenses	40,704	43,195	43,285	43,329	49,978	52,605
Net Income	(434)	(3,079)	955	842	1,217	1,100

SVH Payer Mix

Sonoma Valley Hospital has experienced a dramatic shift in payer mix, and this explains the struggle with financial stability. The Medicare payer mix exceeds the state average of 36.3 percent and continues to increase as our area's over 65 population grows. Medicare payments are low and cover only 89 percent of the cost of hospital operations. Our Medi-Cal payer mix is below the national average of 25%, but it covers only 72 percent of current costs. Our medically indigent payer mix is also increasing. Charity care and bad debt costs have increased from $2,364,621 in FY 2007 to $3,874,865 in FY 2011.



Our Mission

To restore, maintain and improve the health of everyone in our community.

Our Vision

SVH will be a nationally recognized, compassionate place of healing and known for excellence in clinical quality. We serve as the guide and indispensable link for our community's health care journey.

Our Values (CREATING)

Compassion: We always show consideration of the feelings of others at all times.

Respect: We always acknowledge the value and gifts of another person.

Excellence: We exceed the expectations of the people we serve.

Accountability: We are reliable, self-responsible owners of the outcomes of our organization.

Teamwork: We are productive and participative staff members who energize others.

Innovation: We seek new and creative solutions and ways to exceed expectations.

Nurturing: We cultivate, develop and educate those with whom we work to achieve their highest potential.

Guidance: We direct and lead our community members through their healthcare journey and in health improvement.

Strategic Initiatives under the Balanced Dashboard

Quality and Service Excellence
People and Innovation
Growth and Community
Financial Stability

Strategic Initiatives:

Quality and Service Excellence

Case for Action:
Our vision is to be known as a place of healing and be recognized as a best practice quality hospital. This requires that quality, safety and customer service be major hospital priorities. Quality must be evident and transparent and requires buy-in and ownership of the physicians, providers and employees to achieve our high strategic goals. Patient safety is the first dimension of quality, and unless patients are safe in our organization, quality of care is not delivered. Continuous performance improvement monitoring is integrated throughout the hospital to insure the hospital is always meeting standards. As the hospital is refurbished and the new addition is added, the patient focus and healing environment will be evident to all visitors. Sonoma Valley Hospital will strive to achieve the best quality and customer service standards while reducing costs and improving efficiency.

Executive Champion: Goni Naidoo, Chief Nursing Officer

Objective: Provide the highest level of healthcare in partnership with our providers, staff, and community members.

Measures of Success:
- *Achieve top 10 percentile for CMS Core Measures or > 80 in VBP Clinical score*
- *Achieve 50% improvement in patient satisfaction scores and strive to achieve 95th percentile by 2014*
- *Achieve 100% of selected patient safety goals*
- *Reach a "most wired" level of 5 out of 7*

Major Activities/ActionSteps over the next 36 Months:

1. Create a culture of safety so each and every employee feels empowered to take actions for improved patient safety
2. Provide outstanding customer service and achieve 95th percentile for all

satisfaction scores (inpatient, outpatient, surgery and emergency) by partnering with Studer Group and offering patient centered care as we complete the Master Facility Plan

3. Adopt the Institute for Healthcare Improvement's eight steps to achieving patient safety and high reliability and use a best practice hospital safety culture system and adopt IHI's Board on Board's for improved quality
4. Continue to improve case management to give the right care and the right time with the most efficiency and at the lowest cost
5. Achieve the Meaningful Use Objectives identified in the CMS Electronic Health Record (EHR) Incentive Program through the development of a complete community-wide electronic health record and reach 5/7 in "most-wired" hospital survey
6. Achieve high physician satisfaction and engagement through involvement and monitoring of Medical Director goals and results and creating checklist culture
7. Participate in the national Nursing Quality Indicators to continuously build nursing skill level, increase competency and achieve magnet status

People and Innovation

Case for Action:
The values of SVH spell CREATING and are the touchstone for our positive culture. We will foster cultural practices that retain and reward our outstanding employees. We will sustain a workforce environment that attracts and retains talented physicians and providers. We will continue to strengthen and sustain physician, administrative and staff leadership and require accountability at all levels of the organization. Creative and innovative solutions will be fostered for complex clinical quality and other issues. The staff will proactively meet standards, anticipate change and participate in continuous education.

Executive Champion: Paula Davis, Chief Human Resources Officer

Objective: Recruit and retain quality employees and create a safe and rewarding work environment and offer state of the art, efficient technology to support high satisfaction

Measures of Success:

- Maintain a turnover rate of <10%
- Achieve an employee survey return rate of 75%
- Achieve 60th percentile in employee satisfaction. Strive to reach 95% employee satisfaction.

Major Activities/Action Steps Next 36 Months:

1. Conduct annual staff satisfaction and engagement survey with high participation to understand opportunities for improvement and implement action plans to improve

results
2. Assess the effectiveness of Sonoma Valley's reward and recognition program to insure we recognize the right behavior, have a consistent system and involve staff members
3. Implement hiring practices that ensure the right person (staff, leadership and physicians) for the right position
4. Invest in continued development of SVH leadership and staff knowledge and skills in quality, team building and process improvement techniques
5. Create a reliable communication system whereby all stakeholders are informed
6. Offer a wellness program that inspires stakeholders to become health role models for our patients and community
7. Build employee education and growth through expanded SVH offerings and encourage team members to visit other hospitals to learn best practices

Growth and Community

Case for Action:
A major key to the success of the vision is growth in volume and offering the appropriate mix of primary and specialty care. SVH's combined service area population is projected to decrease 1.47% over the next five years. SVH had a 48.6% inpatient market share in the primary service area and a 39.5% in the secondary service area. Half of all patients are leaving the SVH's service area for inpatient services. Inpatient surgical share is 27.2% in the primary service area while outpatient surgery share in the primary service area is 33.2%. There is a need to secure additional volume from the service area through clinical reputation, growth in targeted service/specialty lines, acquiring existing inpatient and outpatient market share and clinical affiliation opportunities with Marin General Hospital.

Executive Champion: Kelly Mather, Chief Executive Officer

Objective: To increase SVH's total revenue and market share through enhancements of existing and expansion of new services.

Measures of Success:

- Inpatient market share increase to > 50% by 2012
- Revenue growth in targeted zip codes of Kenwood and Novato by 5%
- Increased annual outpatient volumes by 3% annually

Major Activities/Action Steps Next 36 Months:

1. Create a viable Regional Care Management system with 3–5 local District Hospitals implementing select clinical partnerships with Marin General Hospital and affiliates to enhance the services in Sonoma and position ourselves for healthcare reform
2. Reduce out-migration through partnerships with health plans to offer both commercial and senior health insurance products that are competitive and encourages patients to stay local for healthcare Grow select service lines to drive net

margin growth in the following areas: Primary Care, Orthopedic Surgery, General Surgery (including Bariatrics) and Women's Health

3. Partner with physicians in our bordering areas of Kenwood and Novato encourage patients to drive the same distance and choose Sonoma Valley Hospital
4. Open the new Surgery wing with a special focus on attracting patients in the North Bay needing Total Joint Replacement, Orthopedics, Uro-Gynecology and Bariatric services
5. Partner with community organizations and schools to offer health screenings and education with a focus on improving the health of our Senior and Latino residents
6. Develop and implement a Physician Development and Succession Plan that includes recruitment of new and retention of existing physicians
7. Create a new Diagnostics Center by upgrading the lobby, Laboratory, Imaging and Cardiopulmonary environment for better patient access and technology
8. Work with other healthcare providers in the area to improve health and reduce costs such as Hospice By the Bay and Sonoma Valley Community Health Center
9. Explore other clinical partnership opportunities using telemedicine programs

Financial Stability

Case for Action:
Maintaining a preferred level of financial performance may be challenging in the SVH service area. There is a compelling need to focus on growth of revenues that result in achieving a greater share of the marketplace for both inpatients and outpatients. Meeting SVH's financial requirements through marketing initiatives, continued facility improvements, investment in technology and creating the best place to work will be important to our future performance.

Executive Champion: Rick Reid, Chief Financial Officer

Objective: Achieve desired level of profitability by increasing net revenue, controlling costs, maintaining an effective investment strategy, and streamlining the revenue cycle.

Measures of Success:

- Increase net revenue by 5% over 2010
- Maintain departmental revenue and expenses within 5% of budget
- Decrease Accounts Receivable Days to 50
- Increase EBIDA % to > 8%

Major Activities/Action Steps Next 36 Months:

1. Improve financial stability by breaking even on Medicare through focused case management to give the right care and the right time in the most efficient way with physicians actively leading best practice utilization
2. Evaluate, monitor and provide direction for the fundraising efforts of the Sonoma

Valley Hospital's philanthropy to ensure maximum return on contributions

3. Continue to follow and update the 3-year financial plan that includes capital, facility renovations and technology investment as well as other investments that are required to improve and maintain operations
4. Optimize the revenue cycle management process to improve financial performance and customer service and benchmark financial performance against published best practices.
5. Explore select partnership opportunities to decrease operating costs and improve third party contracting.

Sonoma Valley Hospital Strategic Map, 2012 - 2013

Goal	Initiative	Initiative	Person	Target Date
Patient Safety	Culture of safety (AAHRQ)	IHI's 8 steps for pt. safety	LL	12/2012
Care Management	Medicare profitability	Low readmission rates	LL	2/2013
Patient Centered Care	Facility upgrades for patient healing & experience	Studer Group partnership for 75th percentile	KM/MK	5/2013
Nursing Competency	Nursing education	Magnet status	LL/MK	2/2013
Medical Staff Engagement	Succession plan & recruitment	Checklist reliability	RC	6/2013
Technology	Most Wired level of 4	Meaningful use – Stage 1	RR	1/2013
Financial Stability	Net revenue increases	Better line of credit	RR	10/2012
Revenue Cycle	Meet national benchmarks	Cash on hand > 45 days	RR	6/2013
Staff Satisfaction	Annual Improvement Action Plans	75% participation rate	PD	6/2012
Staff Retention	60th percentile on staff satisfaction	50th percentile pay practices	PD	6/2013
Staff Wellness	Staff participation rate > 75%	Wellness Education Program for staff	DK	1/2013
Service Line Growth	Targeted Marketing for Ortho, Bariatrics, Women, Seniors & Latinos	Border Strategy with Physicians	MD	9/2012
Improving Health	Active Aging wellness program for Seniors	Better access to care & prevention for Latinos	DK	3/2013
Regional Care System	District Hospital System	Health Plan partners	KM	1/2013
Master Facility Plan	Complete Phase 1 w/ New Wing	Plan new Diagnostics Center	KM	6/2013
Philanthropy	Capital Campaign for ER/OR	Cultivate donors for lifetime giving	KM	12/2012

Service Area Definition

Sonoma Valley Hospital is located approximately 45 miles north of San Francisco in Sonoma, California.

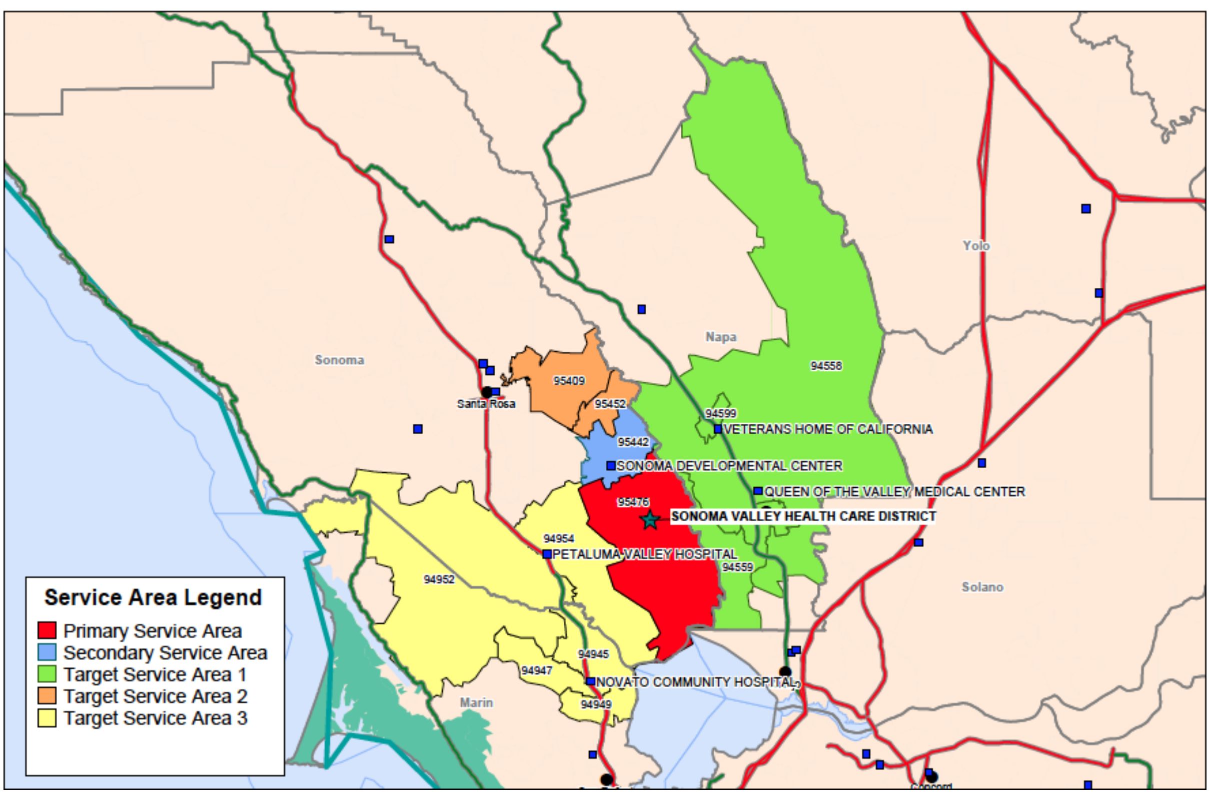
Recent population estimates show Sonoma's combined service area having a population of 38,426 in 2010 with 16% ages 14 and younger, 35% between 15-44, 30% between the ages of 45-64, and 20% 65+.

Sonoma Valley Hospital's combined service area is listed below and mapped out in figure 1.

Sonoma Valley Hospital Service Area

Primary Service Area	**Secondary Service Area**	
95476-Sonoma	95442-Glen Ellen	
Target Service Area 1	**Target Service Area 2**	**Target Service Area 3**
94558-Napa	95409-Santa Rosa	94952-Petaluma
94559-Napa	95452-Kenwood	94954-Petaluma
94599-Yountville		94945-Novato
		94947-Novato
Combined Service Area = Primary+Secondary Area		94949-Novato
Total Service Area= Combined+Target Areas		

Figure 1: Sonoma Valley Hospital Primary Service Area



Competitor Profile

Listed below are Sonoma Valley Hospital's competitors in terms of market presence. Sonoma captured 47.8% of all inpatient admissions from the combined service area in 2010. Kaiser Hospitals in Santa Rosa and San Rafael each captured 8% of the combined service area.

Table 1: Sonoma Valley Hospital's Market Competitors
Combined Service Area

Hospital Name	City - State	Total Beds	Distance from Sonoma	*2010 IP Market Share %
Sonoma Vly Hsp	**Sonoma, CA**	**50**	**-**	**47.8**
Kaiser Fnd Hsp St Rosa	Santa Rosa, CA	142	23 mi Northwest	8.1
Kaiser Fnd Hsp San Rafael	San Rafael, CA	104	25 mi South	8.1
St Rosa Mem Hsp	Santa Rosa, CA	218	21 mi Northwest	6.0
Marin Gen Hsp Greenbrae	Greenbrae, CA	164	30 mi South	5.3
Queen Vly Mc Napa	Napa, CA	159	17 mi East	4.1
Ucsf Mc San Fran	San Francisco, CA	500	43 mi South	3.7
Sutter Mc St Rosa	Santa Rosa, CA	94	21 mi Northwest	1.8
Kaiser Fnd Hsp Rehab Ctr	Vallejo, CA	160	23 mi Southeast	1.7
Petaluma Vly Hsp	Petaluma, CA	71	14 mi West	1.5
Kaiser Fnd Hsp San Fran	San Francisco, CA	182	43 mi South	1.0
Novato Comm Hsp	Novato, CA	39	20 mi Southwest	0.6

*Combined service area all-payer market share

Tables 2 and 3 below show the facility operating indicators as well as beds and days information for Sonoma Valley Hospital and its competitors in 2010.

Table 2: 2010 Market Competitors Operating Indicators

Facility	Hospital Discharges	Inpatient Days	Average Daily Census	Occupancy	Average Length of Stay	Adjusted Admissions	Operating Expenses	Net Patient Revenue	Total FTE	Hospital FTE
Sonoma Vly Hsp	***1,551***	***5,744***	***15.7***	***28.10%***	***3.7***	***3,455.80***	***$43,329,274***	***$37,508,797***	***294***	***248***
Kaiser Fnd Hsp Rehab Ctr	10,735	49,504	135.6	67.80%	4.6	0	$0	$0	1,249	1,055
Kaiser Fnd Hsp San Fran	13,181	63,797	174.8	74.10%	4.8	0	$0	$0	1,366	1,273
Kaiser Fnd Hsp San Rafael	5,870	22,609	61.9	53.40%	3.9	0	$0	$0	481	460
Kaiser Fnd Hsp St Rosa	8,927	31,969	87.6	50.60%	3.6	0	$0	$0	684	657
Marin Gen Hsp Greenbrae	9,187	40,861	111.9	51.40%	4.4	13829.8	$282,273,495	$295,524,262	1092	1061
Novato Comm Hsp	1,688	6,105	16.7	35.60%	3.6	3505.2	$66,031,981	$65,272,268	223	223
Petaluma Vly Hsp	3,159	11,193	30.7	38.30%	3.5	5883.7	$78,010,432	$78,684,840	397	310
Queen Vly Mc Napa	8,127	40,339	110.5	61.10%	5	14433.6	$233,400,268	$253,469,925	1,188	1,175
St Rosa Mem Hsp	11,860	57,473	157.5	61.50%	4.8	16423.5	$311,162,420	$324,900,455	1262	1244
Sutter Mc St Rosa	5,900	26,425	72.4	60.30%	4.5	9304.3	$160,209,777	$169,218,268	640	640
Ucsf Mc San Fran	29,260	184,438	505.3	76.60%	6.3	45570.8	$1,637,175,538	$1,766,688,017	5665	5629

Table 3: 2010 Market Competitors Bed and Days Information

Facility	Total Beds	Total Days	Inpatient Beds	Inpatient Days	Newborn Days	Routine Beds	Routine Days	SNF Beds	SNF Days	Case Mix Index
Sonoma Vly Hsp	***50***	***4,305***	***56***	***5,744***	***509***	***50***	***4,305***	***27***	***7,198***	***1.42***
Kaiser Fnd Hsp Rehab Ctr	160	40,128	200	49,504	3,042	160	40,128	0	0	1.46
Kaiser Fnd Hsp San Fran	182	47,000	236	63,797	4,711	182	47,000	0	0	1.8
Kaiser Fnd Hsp San Rafael	104	20,319	116	22,609	0	104	20,319	0	0	1.33
Kaiser Fnd Hsp St Rosa	142	25,102	173	31,969	2,800	142	25,102	0	0	1.44
Marin Gen Hsp Greenbrae	164	23,001	218	40,861	2919	164	23,001	0	0	1.53
Novato Comm Hsp	39	4,740	47	6,105	0	39	4,740	0	0	1.54
Petaluma Vly Hsp	71	9,043	80	11,193	865	71	9,043	0	0	1.36
Queen Vly Mc Napa	159	33,462	181	40,339	1,596	159	33,462	0	0	1.68
St Rosa Mem Hsp	218	45,993	256	57,473	1957	218	45,993	0	0	1.71
Sutter Mc St Rosa	94	18,299	120	26,425	2,889	94	18,299	0	0	1.95
Ucsf Mc San Fran	500	139,661	660	184,438	3032	500	139,661	0	0	2.11

Source: Most Recent CMS Cost Report for Period Ending 06/30/2011

Labor and Market Statistics

Figure 2 shows the annual labor force vs. employment figures in Sonoma County since 2006. Since 2006 the county's labor force has decreased only 0.5% and employment fell almost 7%. The unemployment rate during the same time period rose from 4 to 10.1 and was as high as 10.5 in 2010 (Figure 3).

Figure 2: Labor Force v. Employment – Sonoma County 2006-2011

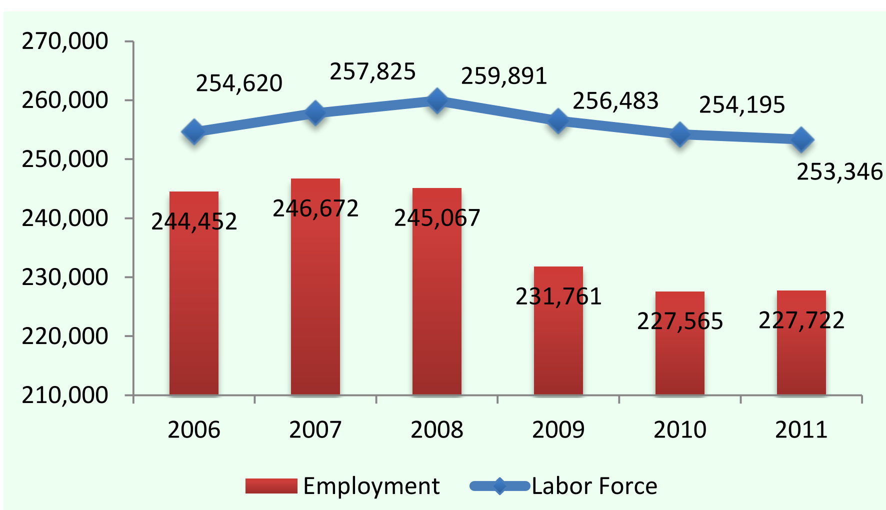
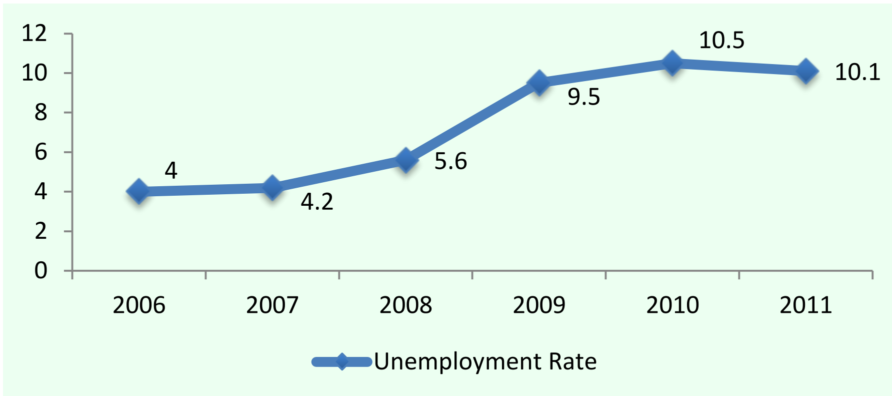


Figure 3: Unemployment Rate – Sonoma County
2006-2011



Source: US Dept of Labor, Bureau of Labor Statistics

2011 Annual is average of first 8 Months

Table 4 compares and contrasts state and national utilization rates over the 5-year period from 2005-2009. During this time the US saw an increase in utilization rates for emergency visits and 'other' outpatient visits. California also saw an increased utilization of emergency visits and 'other' outpatient visits. Utilization rates for all other categories below decreased from 2005-2009.

Table 4: U.S. and California Utilization Rates:
2005-2009

	Utilization Rates	2005	2006	2007	2008	2009	Trend
CA	Admissions	95.9	95.3	90.4	94.6	92.9	
	Inpatient Days	509.4	508	473.5	493.3	475.7	
	Inpatient Surgeries	25.7	25.4	26.3	24.7	24.3	
	Births	14	14.6	14.2	14.4	13.5	
	Emergency Visits	265	285.6	276.2	275.2	285.5	
	Other Outpatient Visits	1104.9	1213.5	991.8	1060.9	1020	
	Outpatient Surgeries	35.5	34.4	34.5	35.8	33.8	
US	Admissions	119.1	118.5	117.2	117.5	115.7	
	Inpatient Days	666.3	657.6	645.1	644.2	627.5	
	Inpatient Surgeries	34.1	33.8	33.8	33.2	32.9	
	Births	13.5	13.6	13.5	13.4	12.9	
	Emergency Visits	388	396.4	400.6	404.2	414.6	
	Other Outpatient Visits	1588.1	1611.5	1599.9	1646.2	1676.4	
	Outpatient Surgeries	59	57.7	56.9	57	56.5	

Source: State Statistics - AHA Statistics

Service Area Demographics

Population by Age and Zip Code

Sonoma Valley Hospital's combined service area has a population which includes the City of Sonoma. Figure 4 shows population densities for the combined service area.

The target service area population totals more than 256,000. Table 6 shows each zip code's population distribution by age.

Figure 4: 2010 Service Area Population Densities

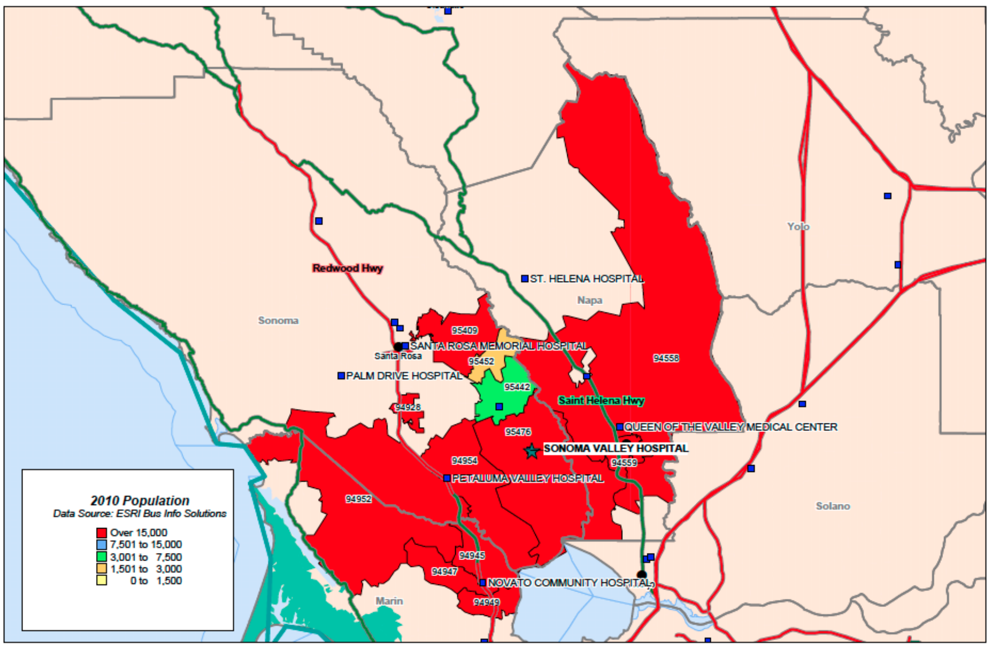


Table 5: 2010 Service Area Populations by Age and Zip Code

Service Area	0-14	15-44	45-64	65+	Total
95467-Sonoma	5,612	11,460	10,019	6,890	33,981
95442-Glen Ellen	464	1,801	1,590	590	4,445
94558-Napa	12,607	24,400	19,303	11,098	67,408
94559-Napa	5,459	13,086	7,395	3,364	29,304
94599-Yountville	258	901	934	1,458	3,551
94945-Novato	2,775	6,133	5,834	2,483	17,225
94947-Novato	4,254	8,829	8,197	3,953	25,233
94949-Novato	2,882	6,046	4,651	2,485	16,064
94952-Petaluma	5,436	12,632	10,249	4,195	32,512
94954-Petaluma	8,022	14,519	10,986	4,413	37,940
95409-Santa Rosa	3,529	7,502	7,053	7,275	25,359
95452-Kenwood	134	384	643	388	1,549
Combined Service Area	6,076	13,261	11,609	7,480	38,426
Total Service Area	51,432	107,693	86,854	48,592	294,571
Combined Service Area	15.8%	34.5%	30.2%	19.5%	100%
Total Service Area	17.5%	36.6%	29.5%	16.5%	100%
California	21.3%	43.1%	24.5%	11.1%	100%
United States	20.1%	40.6%	26.3%	13.0%	100%

Figure 6 shows Sonoma Valley Hospital's combined and total service area age distribution contrasted with state and national figures. Sonoma's combined service area is older (45+) than California and The United states as a whole. Table 7 shows the age distributions that are graphed below.

Figure 5: Age Distribution Comparison

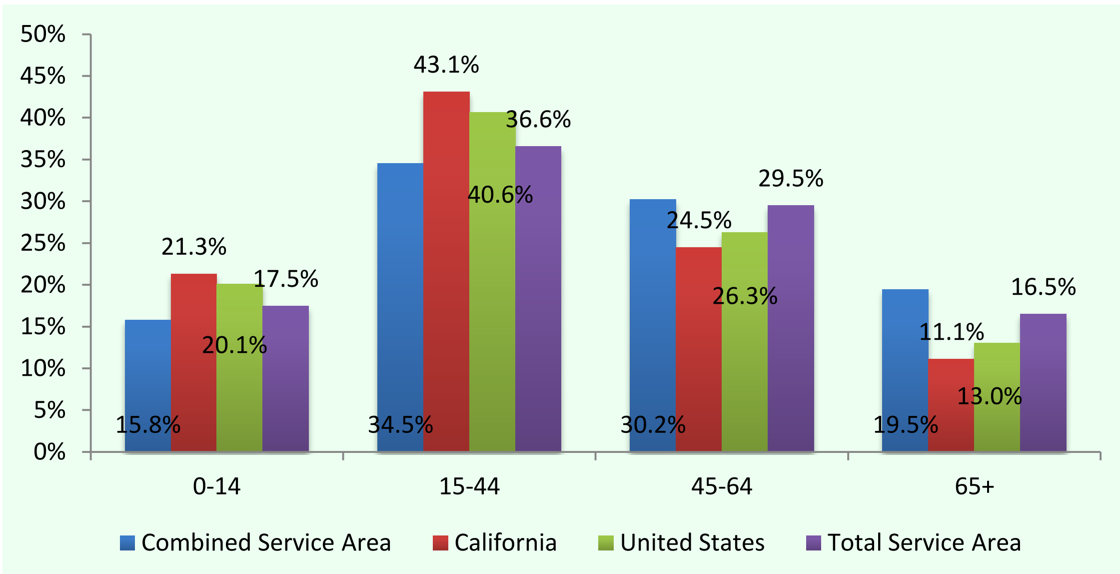


Table 6: Population Age Distribution

Service Area	0-14	15-44	45-64	65+
Combined Service Area	15.8%	34.5%	30.2%	19.5%
Total Service Area	17.5%	36.6%	29.5%	16.5%
California	21.3%	43.1%	24.5%	11.1%
United States	20.1%	40.6%	26.3%	13.0%

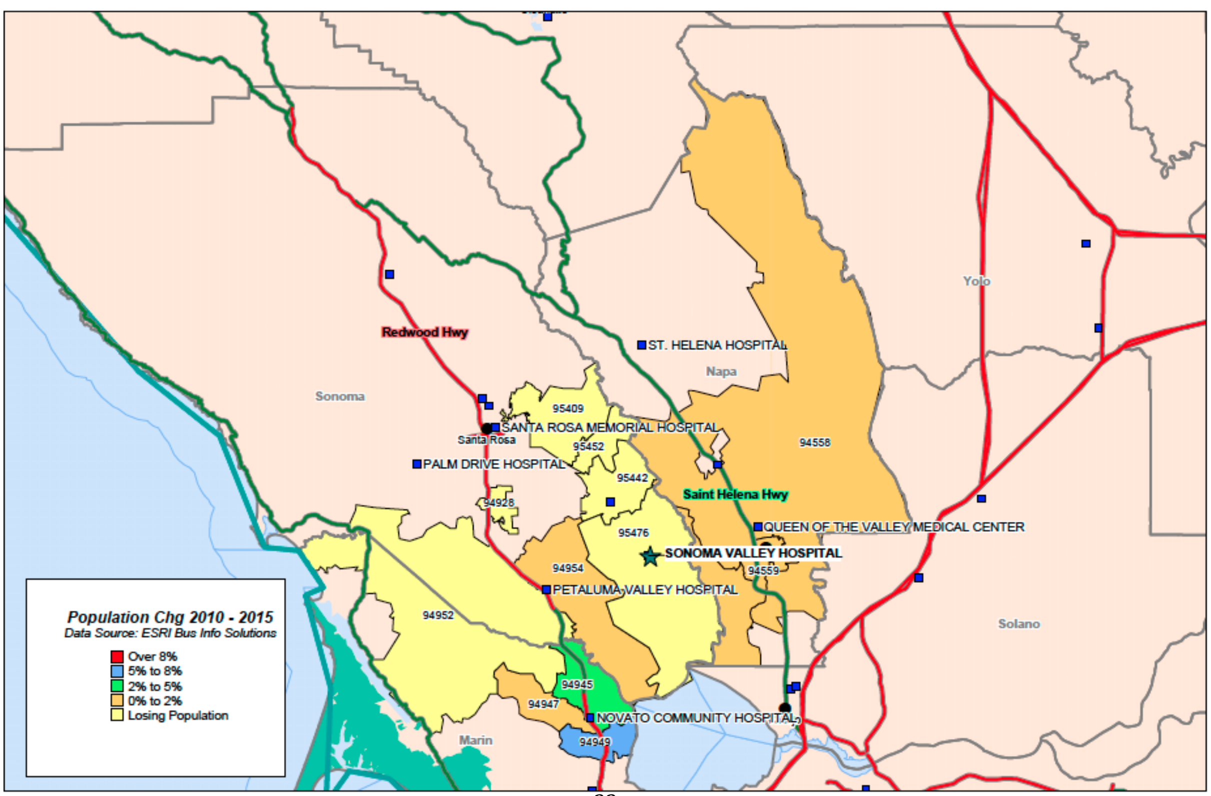
Population Growth by Zip Code

Sonoma Valley Hospital's combined service area population is projected to slightly decrease from 2010-2015. Most zip codes will see moderate population growth with the hometown of Sonoma projected to lose 1.4% of the population. Figure 7 shows projected population change by zip code.

Table 7: Population Change 2000-2015

Service Area	2000	2010	2015	5-Year % Chg
95476-Sonoma	34,297	33,981	33,490	-1.4%
95442-Glen Ellen	4,511	4,445	4,371	-1.7%
94558- Napa	63,162	67,408	68,689	1.9%
94559-Napa	27,652	29,304	29,672	1.3%
94599-Yountville	3,068	3,551	3,537	-0.4%
94945-Novato	16,407	17,225	17,770	3.2%
94947-Novato	24,738	25,233	25,806	2.3%
94949-Novato	13,402	16,064	17,131	6.6%
94952-Petaluma	32,229	32,512	32,297	-0.7%
94954-Petaluma	35,248	37,940	38,236	0.8%
95409-Santa Rosa	25,042	25,359	25,187	-0.7%
95452-Kenwood	1,593	1,549	1,526	-1.5%
Total	242,541	256,145	259,851	1.4%

Figure 6: Population Change 2010-2015



Population Growth by Age Cohort

Sonoma Valley Hospital's combined service area is projected to slightly decrease from 2010-2015. Figure 8 shows projected population change by age cohort. Sonoma's combined service area is projected to lose a disproportionate number of people ages 45-64 when compared to the United States as they become part of the senior (65+) population. Figure 9 shows the current concentration of the senior population.

Figure 7: Population Growth by Age Cohort – Combined Service Area 2010 - 2015

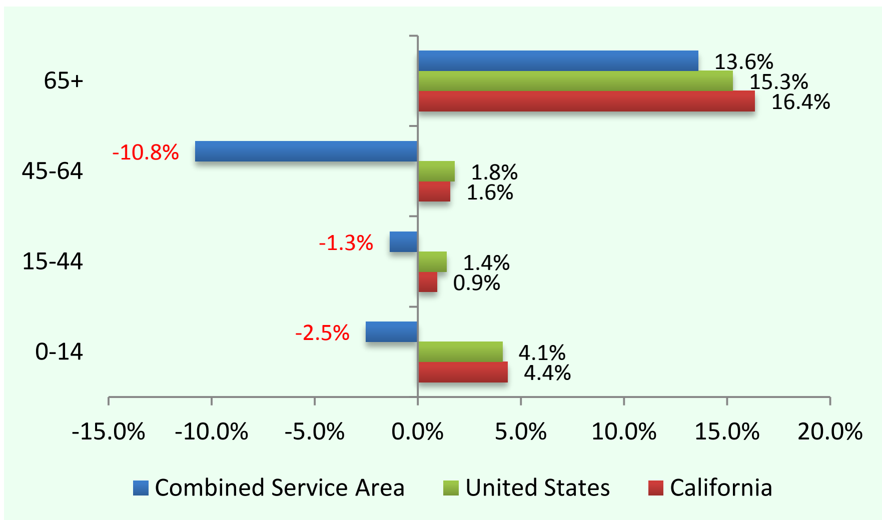
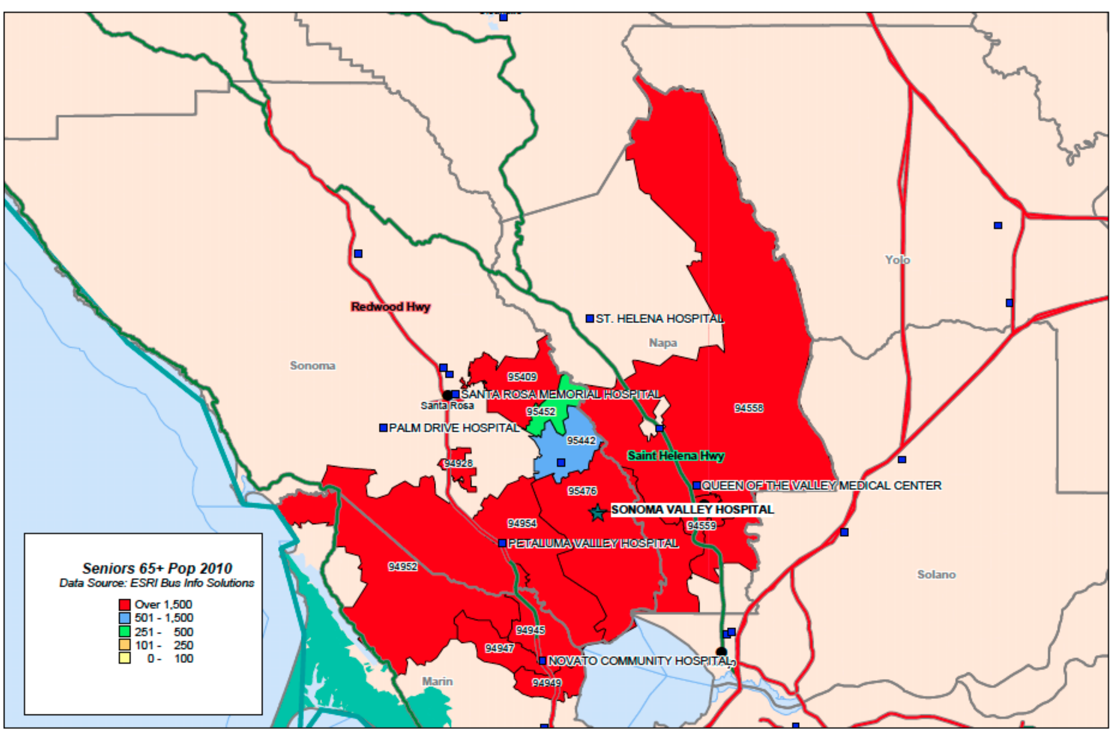


Figure 8: 2010 Service Area Senior (65+) Populations



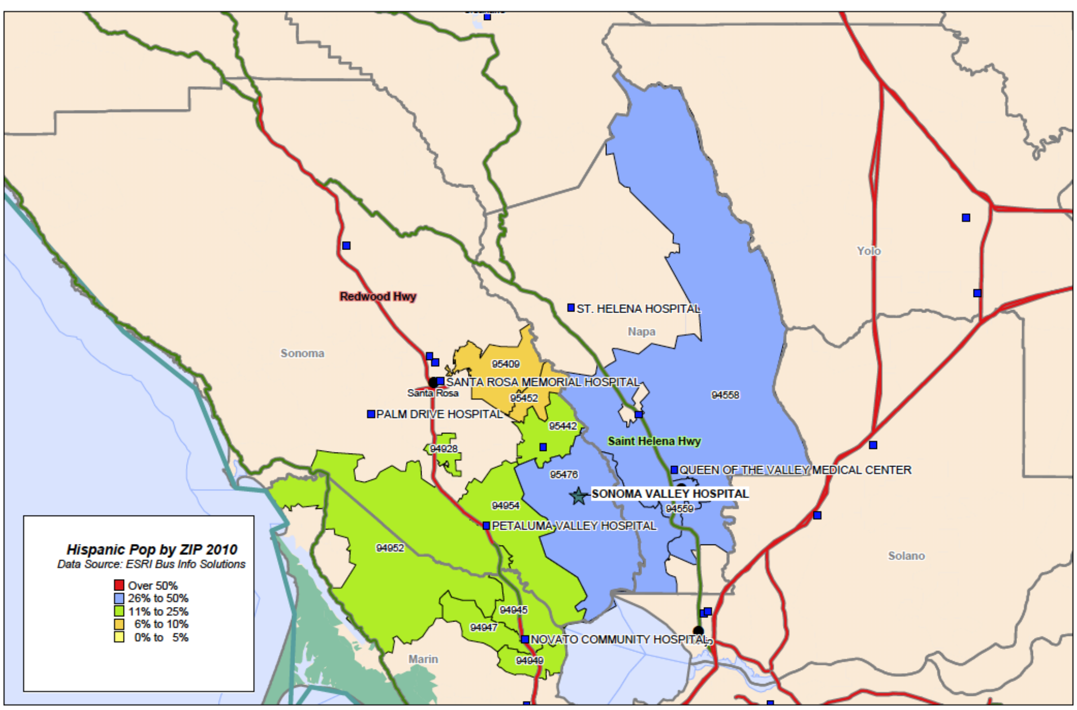
Hispanic Population by Zip Code

Table 5 shows the Hispanic population by zip code. In 2010 25% of the combined service area population was Hispanic. This demographic is projected to grow 13% from 2010 to 2015 and will comprise 29% of the combined service area population. Figure 4 shows the concentration of the Hispanic population by zip code.

Table 8: Hispanic Population by Zip Code: 2010

ZIP Code - City Name	2010 Population	Percent of 2010 Total Population	2015 Population	Percent of 2015 Total Population	Volume Change 2010-2015	Percent Change 2010-2015	Compound Annual Growth Rate
95476 Sonoma	9,087	26.7%	10,227	30.5%	1,140	12.6%	2.4%
95442 Glen Ellen	597	13.4%	715	16.4%	118	19.8%	3.7%
94558 Napa	20,316	30.1%	23,521	34.2%	3,205	15.8%	3.0%
94559 Napa	12051	41.1%	13659	46.0%	1608	13.3%	2.5%
94599 Yountville	705	19.9%	833	23.6%	128	18.2%	3.4%
95409 Santa Rosa	2768	10.9%	3350	13.3%	582	21.0%	3.9%
95452 Kenwood	139	9.0%	169	11.1%	30	21.6%	4.0%
94945 Novato	2603	15.1%	3137	17.7%	534	20.5%	3.8%
94947 Novato	4,129	16.4%	4,963	19.2%	834	20.2%	3.8%
94949 Novato	3291	20.5%	4127	24.1%	836	25.4%	4.6%
94952 Petaluma	6,021	18.5%	7,163	22.2%	1,142	19.0%	3.5%
94954 Petaluma	8515	22.4%	10055	26.3%	1540	18.1%	3.4%
Total Primary Service Area	**9,087**	**26.7%**	**10,227**	**30.5%**	**1,140**	**12.6%**	**2.4%**
Total Secondary Service Area	**597**	**13.4%**	**715**	**16.4%**	**118**	**19.8%**	**3.7%**
Total Combined Service Area	**9,684**	**25.2%**	**10,942**	**28.9%**	**1,258**	**13.0%**	**2.5%**
Total Target Service Area 1	**33,072**	**33.0%**	**38,013**	**37.3%**	**4,941**	**14.9%**	**2.8%**
Total Target Service Area 2	**2,907**	**10.8%**	**3,519**	**13.2%**	**612**	**21.1%**	**3.9%**
Total Target Service Area 3	**24,559**	**19.0%**	**29,445**	**22.4%**	**4,886**	**19.9%**	**3.7%**
Total Service Area	**70,222**	**23.8%**	**81,919**	**27.5%**	**11,697**	**16.7%**	**3.1%**

Figure 9: Hispanic Population Concentration: 2010



Median Household Income

Sonoma Valley Hospital's combined service area has a median household income of $65,051. The median household incomes for the State of California and the United States are $64,966 and $57,283, respectively. The combined service area median household income is projected to increase 15% to $74,574 by 2015.

Figure 10: 2010 Service Area Median Household Incomes

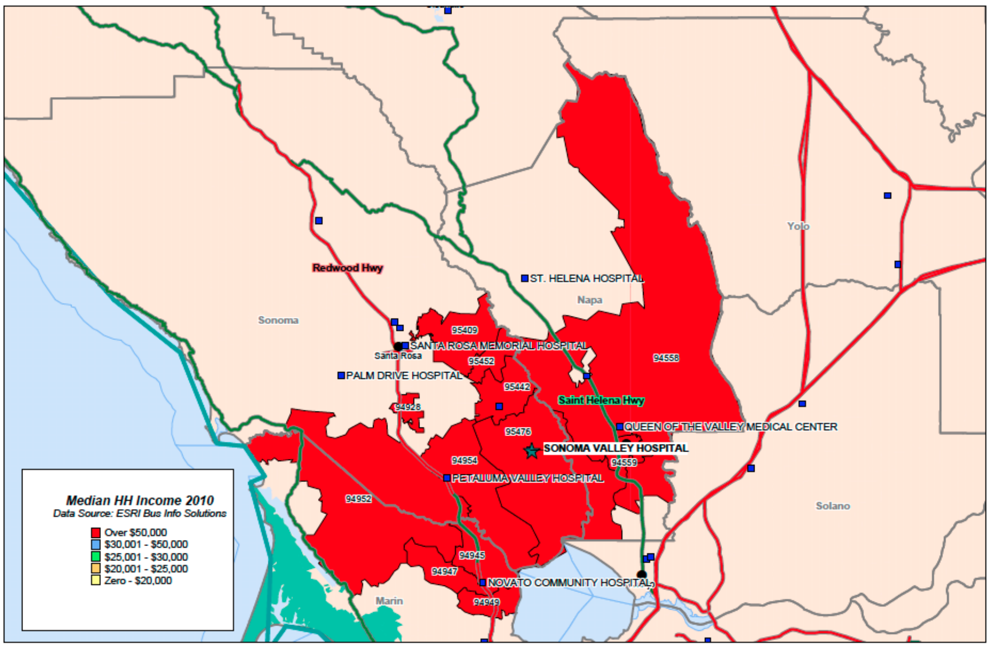


Table 9: Service Area Median Household Income Change 2010-2015

ZIP Code – City Name	2010 Median Household Income	2015 Median Household Income	Income Change 2010–2015	Percent Change 2010–2015	Compound Annual Growth Rate
95476 Sonoma	$63,766	$72,876	$9,110	14.29%	2.71%
95442 Glen Ellen	$77,472	$91,093	$13,621	17.58%	3.29%
94558 Napa	$70,818	$81,888	$11,070	15.63%	2.95%
94559 Napa	$60,467	$67,087	$6,620	10.95%	2.10%
94599 Yountville	$56,561	$66,238	$9,677	17.11%	3.21%
95409 Santa Rosa	$70,126	$80,924	$10,798	15.40%	2.91%
95452 Kenwood	$79,320	$87,912	$8,592	10.83%	2.08%
94945 Novato	$88,498	$108,468	$19,970	22.57%	4.15%
94947 Novato	$83,126	$103,893	$20,767	24.98%	4.56%
94949 Novato	$89,745	$109,585	$19,840	22.11%	4.08%
94952 Petaluma	$72,689	$88,035	$15,346	21.11%	3.91%
94954 Petaluma	$86,445	$101,021	$14,576	16.86%	3.17%
Total Primary Service Area	**$63,766**	**$72,876**	**$9,110**	**14.29%**	**2.71%**
Total Secondary Service Area	**$77,472**	**$91,093**	**$13,621**	**17.58%**	**3.29%**
Total Combined Service Area	**$65,051**	**$74,574**	**$9,523**	**14.64%**	**2.77%**

2010 Patient Origin

Table 10 below shows dependency ratios for each of the zip codes included in the combined service area. 85% of Sonoma Valley Hospital's Medicare inpatient discharges came from its hometown of Sonoma. 3.7% of Sonoma Valley Hospital's 801 Medicare discharges are dispersed among the zip codes and is denoted with an asterisk (*).

Table 10: Sonoma Valley Hospital Patient Origin

Zip Code - City	Sonoma 2010 Medicare Inpatient Discharges	Dependency Ratio
95476-Sonoma	681	85.0%
95442-Glen Ellen	79	9.9%
95452-Kenwood	11	1.4%
94558-Napa	<1%	*
94559-Napa	<1%	*
94599-Yountville	<1%	*
94945-Novato	<1%	*
94947-Novato	<1%	*
94949-Novato	<1%	*
94952-Petaluma	<1%	*
94954-Petaluma	<1%	*
95409-Santa Rosa	<1%	*
Total	771	Discharges from 95467, 95442, 95452
	800	Total Medicare discharges in 2010
		*3.7% from remaining 9 zip codes

Observations and Conclusions about Service Area Demographics:

Sonoma and Glen Ellen's population will decrease over the next 5 years and strategically the hospital's growth will not come from increases in the population. Noteworthy, is the fact that the 65+ population will grow 13.6% from 2010 to 2015. The population over 65 years uses healthcare services at three times the rate of the rest of the population. Also noteworthy is the fact that the Latino population is projected to grow 13% from 2010 to 2015 and will comprise 29% of the combined service area population.

Hospital Utilization and Market Share

Inpatient Market Share – California State Data

Tables 11a and 11b show all-payer inpatient market share using data obtained from the California Office of Statewide Health Planning and Development (OSHPD). Sonoma Valley Hospital holds a 47.8% market share in the combined service area. The majority of cases seen were in rehabilitation (95%), gynecology (59.1%), medicine (56.7%), gastroenterology (54.4%), pulmonary (50.9%), and OB-delivery (47.5%).

Table 11a: Inpatient Market Share- 2010 CA State Data
Combined and Total Service Area

	Total Market	Sonoma Vly Hsp		Kaiser Fnd Hsp Rehab Ctr Vallejo		Kaiser Fnd Hsp San Rafael		Kaiser Fnd Hsp St Rosa		Marin Gen Hsp		Novato Comm Hsp	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	378	138	36.5	9	2.4	51	13.5	20	5.3	64	16.9	0	0
Cardiovascular	59	0	0	0	0	1	1.7	0	0	25	42.4	0	0
Gastroenterology	226	123	54.4	4	1.8	35	15.5	27	11.9	4	1.8	0	0
Gynecology	66	39	59.1	0	0	1	1.5	6	9.1	1	1.5	1	1.5
Medicine	660	374	56.7	13	2	60	9.1	60	9.1	15	2.3	1	0.2
Mental Health	85	10	11.8	0	0	2	2.4	1	1.2	14	16.5	0	0
Neurology	180	81	45	4	2.2	22	12.2	13	7.2	3	1.7	0	0
Neurosurgery	90	9	10	0	0	0	0	0	0	13	14.4	0	0
Ob-Delivery	339	161	47.5	13	3.8	0	0	78	23	13	3.8	0	0
Ob-Other	36	15	41.7	0	0	0	0	3	8.3	1	2.8	0	0
Oncology	75	11	14.7	2	2.7	9	12	5	6.7	3	4	1	1.3
Orthopedics	384	142	37	4	1	43	11.2	22	5.7	18	4.7	10	2.6
Pulmonary	265	135	50.9	8	3	29	10.9	21	7.9	3	1.1	0	0
Rehabilitation	424	403	95	1	0.2	0	0	0	0	0	0	0	0
Surgery-General	340	112	32.9	3	0.9	30	8.8	31	9.1	12	3.5	7	2.1
Surgery-Other	13	1	7.7	0	0	3	23.1	2	15.4	1	7.7	0	0
Transplant	2	0	0	0	0	0	0	0	0	0	0	0	0
Ungrouped Or Invalid Drg	1	0	0	0	0	1	100	0	0	0	0	0	0
Urology	126	50	39.7	3	2.4	17	13.5	16	12.7	4	3.2	1	0.8
Vascular	23	0	0	1	4.3	2	8.7	1	4.3	7	30.4	1	4.3
Primary Service Area	3,461	1,681	48.6	65	1.9	301	8.7	259	7.5	193	5.6	22	0.6
Secondary Service Area	311	123	39.5	0	0	5	1.6	47	15.1	8	2.6	0	0
Combined Service Area(ex NB and Neo)	3,772	1,804	47.8	65	1.7	306	8.1	306	8.1	201	5.3	22	0.6
Target Service Area 1	9,454	36	0.4	1,962	20.8	12	0.1	21	0.2	30	0.3	0	0
Target Service Area 2	2,643	28	1.1	9	0.3	19	0.7	667	25.2	30	1.1	4	0.2
Target Service Area 3	9,989	25	0.3	42	0.4	2,099	21	688	6.9	1,349	13.5	1,119	11.2
Total Service Area(ex NB and Neo)	25,858	1,893	7.3	2,078	8	2,436	9.4	1,682	6.5	1,610	6.2	1,145	4.4

Table 11b: Inpatient Market Share-2010 CA State Data
Combined and Total Service Area

	Total Market	Petaluma Vly Hsp		Queen Vly Hsp Napa		St Rosa Mem Hsp Montgomery		Sutter Mc St Rosa		Ucsf Mc		All Other Hospitals	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	378	4	1.1	22	5.8	15	4	9	2.4	4	1.1	42	11.1
Cardiovascular	59	0	0	4	6.8	4	6.8	2	3.4	3	5.1	20	33.9
Gastroenterology	226	2	0.9	4	1.8	4	1.8	2	0.9	13	5.8	8	3.5
Gynecology	66	1	1.5	2	3	4	6.1	2	3	2	3	7	10.6
Medicine	660	6	0.9	25	3.8	37	5.6	9	1.4	22	3.3	38	5.8
Mental Health	85	0	0	0	0	0	0	1	1.2	1	1.2	56	65.9
Neurology	180	0	0	5	2.8	17	9.4	3	1.7	7	3.9	25	13.9
Neurosurgery	90	2	2.2	8	8.9	11	12.2	0	0	17	18.9	30	33.3
Ob-Delivery	339	13	3.8	20	5.9	13	3.8	13	3.8	1	0.3	14	4.1
Ob-Other	36	1	2.8	1	2.8	4	11.1	3	8.3	1	2.8	7	19.4
Oncology	75	2	2.7	5	6.7	9	12	0	0	11	14.7	17	22.7
Orthopedics	384	6	1.6	17	4.4	52	13.5	7	1.8	11	2.9	52	13.5
Pulmonary	265	9	3.4	11	4.2	22	8.3	9	3.4	3	1.1	15	5.7
Rehabilitation	424	0	0	3	0.7	5	1.2	0	0	0	0	12	2.8
Surgery-General	340	7	2.1	19	5.6	24	7.1	5	1.5	30	8.8	60	17.6
Surgery-Other	13	0	0	1	7.7	0	0	0	0	4	30.8	1	7.7
Transplant	2	0	0	0	0	0	0	0	0	2	100	0	0
Ungrouped Or Invalid Drg	1	0	0	0	0	0	0	0	0	0	0	0	0
Urology	126	3	2.4	6	4.8	5	4	2	1.6	9	7.1	10	7.9
Vascular	23	0	0	2	8.7	1	4.3	2	8.7	0	0	6	26.1
Primary Service Area	3,461	49	1.4	145	4.2	188	5.4	45	1.3	125	3.6	388	11.2
Secondary Service Area	311	7	2.3	10	3.2	39	12.5	24	7.7	16	5.1	32	10.3
Combined Service Area(ex NB and Neo)	3,772	56	1.5	155	4.1	227	6	69	1.8	141	3.7	420	11.1
Target Service Area 1	9,454	4	0	5,648	59.7	80	0.8	0	0	239	2.5	1,422	15
Target Service Area 2	2,643	15	0.6	5	0.2	1,160	43.9	306	11.6	72	2.7	328	12.4
Target Service Area 3	9,989	2,047	20.5	6	0.1	500	5	187	1.9	439	4.4	1,488	14.9
Total Service Area(ex NB and Neo)	25,858	2,122	8.2	5,814	22.5	1,967	7.6	562	2.2	891	3.4	3,658	14.1

Inpatient Surgical Market Share – California State Data

Tables 12a, b, and c show the all-payer inpatient surgical market share using data from the OSHPD. Sonoma Valley Hospital holds a 26.6% market share in the combined service area. The greatest market share was in gynecology (59.4%), orthopedic (33.9%), and general surgery (32.9%).

Table 12a: Inpatient Surgical Market Share-2010 CA State Data Combined and Total Service Area

	Total Market	Sonoma Vly Hsp		Ca Pacific Mc Pacific		Kaiser Fnd Hsp Geary S F		Kaiser Fnd Hsp Oakland		Kaiser Fnd Hsp Rehab Ctr		Kaiser Fnd Hsp San Rafael	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	86	0	0	3	3.5	17	19.8	0	0	0	0	0	0
Cardiovascular	59	0	0	6	10.2	10	16.9	0	0	0	0	1	1.7
Gynecology	64	38	59.4	1	1.6	3	4.7	0	0	0	0	1	1.6
Neurosurgery	90	9	10	8	8.9	0	0	9	10	0	0	0	0
Oncology	4	1	25	1	25	0	0	0	0	0	0	0	0
Orthopedics	322	109	33.9	10	3.1	0	0	2	0.6	4	1.2	32	9.9
Surgery-General	340	112	32.9	12	3.5	15	4.4	6	1.8	3	0.9	30	8.8
Surgery-Other	11	1	9.1	0	0	0	0	0	0	0	0	2	18.2
Transplant	2	0	0	0	0	0	0	0	0	0	0	0	0
Urology	56	11	19.6	0	0	0	0	1	1.8	3	5.4	5	8.9
Vascular	23	0	0	1	4.3	3	13	0	0	1	4.3	2	8.7
Primary Service Area	950	258	27.2	39	4.1	45	4.7	16	1.7	11	1.2	72	7.6
Secondary Service Area	107	23	21.5	3	2.8	3	2.8	2	1.9	0	0	1	0.9
Combined Service Area(ex NB and Neo)	1,057	281	26.6	42	4	48	4.5	18	1.7	11	1	73	6.9
Target Service Area 1	2,760	6	0.2	40	1.4	40	1.4	64	2.3	534	19.3	1	0
Target Service Area 2	887	3	0.3	15	1.7	30	3.4	19	2.1	0	0	5	0.6
Target Service Area 3	2,976	9	0.3	126	4.2	165	5.5	65	2.2	5	0.2	607	20.4
Total Service Area(ex NB and Neo)	7,680	299	3.9	223	2.9	283	3.7	166	2.2	550	7.2	686	8.9

Table 12b: Inpatient Surgical Market Share-2010 CA State Data Combined and Total Service Area

	Total Market	Kaiser Fnd Hsp St Rosa		Marin Gen Hsp		Novato Comm Hsp		Petaluma Vly Hsp		Queen Vly Hsp Napa	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	86	0	0	40	46.5	0	0	0	0	11	12.8
Cardiovascular	59	0	0	25	42.4	0	0	0	0	4	6.8
Gynecology	64	6	9.4	1	1.6	1	1.6	1	1.6	2	3.1
Neurosurgery	90	0	0	13	14.4	0	0	2	2.2	8	8.9
Oncology	4	0	0	1	25	0	0	0	0	0	0
Orthopedics	322	21	6.5	16	5	10	3.1	5	1.6	15	4.7
Surgery-General	340	31	9.1	12	3.5	7	2.1	7	2.1	19	5.6
Surgery-Other	11	2	18.2	1	9.1	0	0	0	0	1	9.1
Transplant	2	0	0	0	0	0	0	0	0	0	0
Urology	56	9	16.1	3	5.4	1	1.8	3	5.4	5	8.9
Vascular	23	1	4.3	7	30.4	1	4.3	0	0	2	8.7
Primary Service Area	950	54	5.7	114	12	20	2.1	14	1.5	64	6.7
Secondary Service Area	107	16	15	5	4.7	0	0	4	3.7	3	2.8
Combined Service Area(ex NB and Neo)	1,057	70	6.6	119	11.3	20	1.9	18	1.7	67	6.3
Target Service Area 1	2,760	8	0.3	8	0.3	0	0	2	0.1	1,484	53.8
Target Service Area 2	887	183	20.6	10	1.1	1	0.1	5	0.6	1	0.1
Target Service Area 3	2,976	123	4.1	355	11.9	356	12	363	12.2	4	0.1
Total Service Area(ex NB and Neo)	7,680	384	5	492	6.4	377	4.9	388	5.1	1,556	20.3

Table 12c: Inpatient Surgical Market Share-2010 CA State Data Combined and Total Service Area

	Total Market	St Helena Hsp		St Rosa Mem Hsp Montgomery		Sutter Mc St Rosa		Ucsf Mc		All Other Hospitals	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	86	1	1.2	5	5.8	4	4.7	1	1.2	4	4.7
Cardiovascular	59	1	1.7	4	6.8	2	3.4	3	5.1	3	5.1
Gynecology	64	1	1.6	3	4.7	2	3.1	2	3.1	2	3.1
Neurosurgery	90	0	0	11	12.2	0	0	17	18.9	13	14.4
Oncology	4	0	0	0	0	0	0	1	25	0	0
Orthopedics	322	5	1.6	47	14.6	7	2.2	10	3.1	29	9
Surgery-General	340	0	0	24	7.1	5	1.5	30	8.8	27	7.9
Surgery-Other	11	0	0	0	0	0	0	3	27.3	1	9.1
Transplant	2	0	0	0	0	0	0	2	100	0	0
Urology	56	0	0	1	1.8	1	1.8	7	12.5	6	10.7
Vascular	23	2	8.7	1	4.3	2	8.7	0	0	0	0
Primary Service Area	950	10	1.1	81	8.5	14	1.5	67	7.1	71	7.5
Secondary Service Area	107	0	0	15	14	9	8.4	9	8.4	14	13.1
Combined Service Area(ex NB and Neo)	1,057	10	0.9	96	9.1	23	2.2	76	7.2	85	8
Target Service Area 1	2,760	140	5.1	34	1.2	0	0	117	4.2	282	10.2
Target Service Area 2	887	7	0.8	387	43.6	106	12	44	5	71	8
Target Service Area 3	2,976	6	0.2	201	6.8	97	3.3	237	8	257	8.6
Total Service Area(ex NB and Neo)	7,680	163	2.1	718	9.3	226	2.9	474	6.2	695	9

Outpatient Market Share – Ambulatory Surgery

Tables 13a and 13b show the ambulatory surgery market share for the total service area using data from the California OSHPD. Sonoma Valley Hospital held 4.7% of the total service area and 31.8% of the ambulatory surgery cases in the combined service area in 2010.

Table 13a: 2010 Ambulatory Surgery Market Share Combined and Total Service Area

	Total Market	Sonoma Vly Hsp		Ca Pacific Mc Pacific		Kaiser Fnd Hsp Rehab Ctr Vallejo		Kaiser Fnd Hsp San Rafael		Kaiser Fnd Hsp St Rosa		Marin Gen Hsp		Marin Spec Surg Ctr		Novato Comm Hsp	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	1,028	16	1.6	12	1.2	18	1.8	103	10	8	0.8	202	19.6	0	0	28	2.7
Gastroenterology	3,507	87	2.5	104	3	147	4.2	187	5.3	224	6.4	164	4.7	54	1.5	129	3.7
Gynecology	666	43	6.5	17	2.6	89	13.4	74	11.1	44	6.6	53	8	40	6	16	2.4
Medicine	8,791	435	4.9	202	2.3	294	3.3	481	5.5	673	7.7	456	5.2	369	4.2	228	2.6
Mental Health	40	0	0	0	0	0	0	0	0	3	7.5	2	5	0	0	0	0
Neonate	4	0	0	0	0	1	25	0	0	0	0	0	0	0	0	0	0
Neurology	511	53	10.4	20	3.9	11	2.2	58	11.4	23	4.5	31	6.1	19	3.7	7	1.4
Normal Newborn	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Not Valid Ms-Drg	1	0	0	0	0	0	0	0	0	0	0	0	0	1	100	0	0
Ob-Delivery	1	0	0	0	0	1	100	0	0	0	0	0	0	0	0	0	0
Ob-Other	209	14	6.7	6	2.9	7	3.3	0	0	10	4.8	14	6.7	6	2.9	1	0.5
Oncology	1,173	50	4.3	41	3.5	60	5.1	127	10.8	76	6.5	95	8.1	8	0.7	39	3.3
Orthopedics	2,737	244	8.9	25	0.9	144	5.3	361	13.2	252	9.2	33	1.2	140	5.1	65	2.4
Pulmonary	207	1	0.5	0	0	0	0	4	1.9	2	1	21	10.1	0	0	14	6.8
Surgery-Other	533	1	0.2	3	0.6	3	0.6	5	0.9	43	8.1	22	4.1	0	0	1	0.2
Ungrouped Or Invalid Drg	280	10	3.6	17	6.1	15	5.4	17	6.1	16	5.7	22	7.9	16	5.7	12	4.3
Urology	885	19	2.1	15	1.7	49	5.5	107	12.1	49	5.5	34	3.8	28	3.2	8	0.9
Primary Service Area	2,289	760	33.2	62	2.7	22	1	161	7	206	9	133	5.8	77	3.4	22	1
Secondary Service Area	283	59	20.8	8	2.8	0	0	5	1.8	75	26.5	16	5.7	7	2.5	0	0
Combined Service Area	2,572	819	31.8	70	2.7	22	0.8	166	6.5	281	10.9	149	5.8	84	3.3	22	0.8
Target Service Area 1	8,668	40	0.5	90	1	813	9.4	24	0.3	47	0.5	14	0.2	10	0.1	0	0
Target Service Area 2	1,942	20	1	37	1.9	0	0	17	0.9	702	36.1	16	0.8	4	0.2	5	0.3
Target Service Area 3	7,392	94	1.3	265	3.6	4	0.1	1,317	17.8	393	5.3	970	13.1	583	7.9	521	7
Total Service Area	20,574	973	4.7	462	2.2	839	4.1	1,524	7.4	1,423	6.9	1,149	5.6	681	3.3	548	2.7

Table 13b: 2010 Ambulatory Surgery Market Share Combined and Total Service Area

	Total Market	Petaluma Vly Hsp		Queen Vly Hsp Napa		St Helena Hsp		St Rosa Mem Hsp Montgomery		Sutter Mc St Rosa		Ucsf Mc		All Other Hospitals	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	1,028	80	7.8	66	6.4	43	4.2	141	13.7	100	9.7	32	3.1	179	17.4
Gastroenterology	3,507	235	6.7	1,468	41.9	176	5	51	1.5	81	2.3	158	4.5	242	6.9
Gynecology	666	55	8.3	103	15.5	28	4.2	6	0.9	37	5.6	31	4.7	30	4.5
Medicine	8,791	595	6.8	2,881	32.8	232	2.6	495	5.6	271	3.1	488	5.6	691	7.9
Mental Health	40	1	2.5	1	2.5	0	0	0	0	3	7.5	0	0	30	75
Neonate	4	0	0	0	0	0	0	0	0	0	0	0	0	3	75
Neurology	511	38	7.4	117	22.9	16	3.1	10	2	8	1.6	25	4.9	75	14.7
Normal Newborn	1	0	0	0	0	0	0	0	0	0	0	0	0	1	100
Not Valid Ms-Drg	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ob-Delivery	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ob-Other	209	21	10	46	22	7	3.3	3	1.4	70	33.5	1	0.5	3	1.4
Oncology	1,173	45	3.8	284	24.2	26	2.2	109	9.3	22	1.9	113	9.6	78	6.6
Orthopedics	2,737	225	8.2	484	17.7	152	5.6	143	5.2	58	2.1	59	2.2	352	12.9
Pulmonary	207	20	9.7	83	40.1	4	1.9	2	1	7	3.4	37	17.9	12	5.8
Surgery-Other	533	18	3.4	41	7.7	2	0.4	2	0.4	13	2.4	19	3.6	360	67.5
Ungrouped Or Invalid Drg	280	12	4.3	5	1.8	10	3.6	5	1.8	27	9.6	25	8.9	71	25.4
Urology	885	60	6.8	246	27.8	40	4.5	26	2.9	26	2.9	127	14.4	51	5.8
Primary Service Area	2,289	89	3.9	178	7.8	19	0.8	137	6	51	2.2	166	7.3	206	9
Secondary Service Area	283	11	3.9	18	6.4	2	0.7	30	10.6	18	6.4	17	6	17	6
Combined Service Area	2572	100	3.8	196	7.6	21	0.8	167	6.5	69	2.7	183	7.1	223	8.7
Target Service Area 1	8,668	8	0.1	5,612	64.7	707	8.2	58	0.7	5	0.1	261	3	979	11.3
Target Service Area 2	1,942	31	1.6	7	0.4	5	0.3	444	22.9	397	20.4	106	5.5	151	7.8
Target Service Area 3	7,392	1,266	17.1	10	0.1	3	0	324	4.4	252	3.4	565	7.6	825	11.2
Total Service Area	20,574	1,405	6.8	5,825	28.3	736	3.6	993	4.8	723	3.5	1,115	5.4	2,178	10.6

Outpatient Market Share – Emergency Department Visits by Primary Payer

Tables 14a and 14b show emergency department visits by primary payer type. Sonoma Valley Hospital captured 69.5% of all ED visits in the combined service area and 8.6 in the total service area. Sonoma Valley Hospital saw 73.8% of Medicare and 10% of all Medi-Cal cases in the total service area.

Table 14a: 2010 ED Visits by Primary Payer Combined and Total Service Area

	Total Market	Sonoma Vly Hsp		Kaiser Fnd Hsp Rehab Ctr Vallejo		Kaiser Fnd Hsp San Rafael		Kaiser Fnd Hsp St Rosa		Marin Gen Hsp		Novato Comm Hsp	
**Primary Payor	Cases	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share
Auto Medical	10	0	0	0	0	0	0	0	0	0	0	0	0
BCBS	5,857	793	13.5	0	0	0	0	0	0	341	5.8	1,299	22.2
Champus/Tricare	880	32	3.6	0	0	1	0.1	4	0.5	28	3.2	222	25.2
Commercial	2,767	369	13.3	7	0.3	33	1.2	11	0.4	53	1.9	180	6.5
EPO	439	0	0	20	4.6	55	12.5	27	6.2	20	4.6	233	53.1
HMO	15,917	393	2.5	3231	20.3	4688	29.5	3415	21.5	77	0.5	732	4.6
Invalid	5	4	80	0	0	0	0	0	0	0	0	0	0
Medi-Cal	15,506	1551	10	208	1.3	357	2.3	358	2.3	611	3.9	2,594	16.7
Medicare A	2545	1877	73.8	85	3.3	94	3.7	78	3.1	121	4.8	1	0
Medicare B	9,109	0	0	0	0	0	0	0	0	94	1	2,202	24.2
Medicare HMO	6858	0	0	1193	17.4	2049	29.9	1612	23.5	7	0.1	35	0.5
Other	149	4	2.7	1	0.7	0	0	0	0	3	2	0	0
Other Federal	147	0	0	1	0.7	1	0.7	7	4.8	1	0.7	0	0
Other Payor-Non-Federal	1,899	18	0.9	0	0	0	0	0	0	26	1.4	148	7.8
POS	32	0	0	0	0	14	43.8	2	6.3	0	0	0	0
PPO	3,963	587	14.8	2	0.1	5	0.1	3	0.1	101	2.5	569	14.4
Self Pay	8408	770	9.2	181	2.2	281	3.3	177	2.1	385	4.6	1123	13.4
Title V	20	0	0	0	0	0	0	0	0	1	5	1	5
Veterans Affairs	108	0	0	0	0	0	0	0	0	0	0	8	7.4
Workers Comp	1,733	139	8	4	0.2	54	3.1	90	5.2	74	4.3	155	8.9
Primary Service Area	8,327	5,914	71	123	1.5	453	5.4	818	9.8	63	0.8	47	0.6
Secondary Service Area	730	383	52.5	7	1	11	1.5	162	22.2	2	0.3	6	0.8
Combined Service Area	9,057	6,297	69.5	130	1.4	464	5.1	980	10.8	65	0.7	53	0.6
Target Service Area 1	26,752	88	0.3	4,721	17.6	43	0.2	87	0.3	20	0.1	11	0
Target Service Area 2	6,702	83	1.2	5	0.1	27	0.4	2,295	34.2	9	0.1	9	0.1
Target Service Area 3	33,841	69	0.2	77	0.2	7,098	21	2,422	7.2	1,849	5.5	9,429	27.9
Total Service Area	76,352	6,537	8.6	4,933	6.5	7,632	10	5,784	7.6	1,943	2.5	9,502	12.4

Table 14b: 2010 ED Visits by Primary Payer Combined and Total Service Area

	Total Market	Petaluma Vly Hsp		Queen Vly Hsp Napa		St Rosa Mem Hsp Montgomery		Sutter Mc St Rosa		All Other Hospitals	
**Primary Payor	Cases	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share
Auto Medical	10	0	0	0	0	0	0	0	0	10	100
BCBS	5,857	1,069	18.3	1,494	25.5	396	6.8	156	2.7	309	5.3
Champus/Tricare	880	381	43.3	115	13.1	31	3.5	15	1.7	51	5.8
Commercial	2,767	1,653	59.7	175	6.3	47	1.7	47	1.7	192	6.9
EPO	439	0	0	0	0	0	0	61	13.9	23	5.2
HMO	15,917	566	3.6	1,403	8.8	122	0.8	114	0.7	1176	7.4
Invalid	5	0	0	0	0	0	0	0	0	1	20
Medi-Cal	15,506	2,438	15.7	5,612	36.2	539	3.5	770	5	468	3
Medicare A	2545	0	0	0	0	0	0	0	0	289	11.4
Medicare B	9,109	1,925	21.1	3,264	35.8	1275	14	225	2.5	124	1.4
Medicare HMO	6858	423	6.2	1232	18	70	1	47	0.7	190	2.8
Other	149	0	0	123	82.6	5	3.4	0	0	13	8.7
Other Federal	147	0	0	131	89.1	0	0	0	0	6	4.1
Other Payor-Non-Federal	1,899	87	4.6	1,401	73.8	174	9.2	12	0.6	33	1.7
POS	32	0	0	0	0	0	0	0	0	16	50
PPO	3,963	232	5.9	1,762	44.5	247	6.2	35	0.9	420	10.6
Self Pay	8408	1639	19.5	2473	29.4	401	4.8	417	5	561	6.7
Title V	20	0	0	0	0	3	15	1	5	14	70
Veterans Affairs	108	14	13	41	38	10	9.3	28	25.9	7	6.5
Workers Comp	1,733	120	6.9	778	44.9	48	2.8	29	1.7	242	14
Primary Service Area	8,327	107	1.3	174	2.1	208	2.5	101	1.2	319	3.8
Secondary Service Area	730	12	1.6	9	1.2	78	10.7	24	3.3	36	4.9
Combined Service Area	9,057	119	1.3	183	2.0	286	3.2	125	1.4	355	3.9
Target Service Area 1	26,752	8	0	19,764	73.9	41	0.2	27	0.1	1,942	7.3
Target Service Area 2	6,702	53	0.8	9	0.1	2,437	36.4	1,462	21.8	313	4.7
Target Service Area 3	33,841	10,367	30.6	48	0.1	604	1.8	343	1	1,535	4.5
Total Service Area	76,352	10,547	13.8	20,004	26.2	3,368	4.4	1,957	2.6	4,145	5.4

Medicare Inpatient Market Share Trend

Table 15 below shows the Medicare inpatient market share trend for Sonoma Valley Hospital and its competitors. From 2008-2010 Sonoma has held, on average, 43.4% of the Medicare inpatient market share in the combined service area, peaking at 44.7% in 2008.

Table 15: Medicare Inpatient Market Share-3 Year Trend
Combined Service Area

	2010		2009		2008	
Hospital	**Medicare Discharges**	**Medicare Market Share**	**Medicare Discharges**	**Medicare Market Share**	**Medicare Discharges**	**Medicare Market Share**
Sonoma Vly Hsp	760	41.6%	673	44.0%	700	44.7%
Kaiser Fnd Hsp San Rafael	224	12.2%	135	8.8%	128	8.2%
Kaiser Fnd Hsp St Rosa	115	6.3%	99	6.5%	91	5.8%
St Rosa Mem Hsp	95	5.2%	91	6.0%	115	7.3%
Marin Gen Hsp Greenbrae	90	4.9%	82	5.4%	61	3.9%
Queen Vly Mc Napa	83	4.5%	80	5.2%	89	5.7%
Ucsf Mc San Fran	37	2.0%	34	2.2%	38	2.4%
Kaiser Fnd Hsp Rehab Ctr	32	1.7%	19	1.2%	19	1.2%
Sutter Mc St Rosa	27	1.5%	26	1.7%	35	2.2%
Petaluma Vly Hsp	21	1.1%	28	1.8%	24	1.5%
Novato Comm Hsp	12	0.7%	19	1.2%	8	0.5%
All Other Hospitals	333	18.2%	242	15.8%	258	16.5%
Totals	**1,829**	**100%**	**1,528**	**100%**	**1,566**	**100%**

Source: Medicare Service Area File
All Other Hospitals are those facilities that had less than 2% Market Share in all years

Medicare Inpatient Market Share by Zip Code

Table 16 shows Sonoma Valley Hospital's 2010 Medicare inpatient market share by zip code. Sonoma Valley Hospital holds its greatest Medicare inpatient market share in its home city of Sonoma (43.6%). Sonoma Valley Hospital captured 29.7% of the secondary service area. No significant market share is held in any of the target service areas excluding Kenwood (target area 2) in which Sonoma Valley Hospital captured 15.3%.

Table 16: Medicare Inpatient Market Share by Zip Code
Total Service Area

Zip Code - City	Total 2010 Medicare Inpatient Discharges	Sonoma 2010 Medicare Inpatient Discharges	Sonoma 2010 Medicare Inpatient Market Share	Competitor 2010 Medicare Inpatient Dishcharges
95476-Sonoma	1,563	681	43.6%	882
95442-Glen Ellen	266	79	29.7%	187
95452-Kenwood	72	11	15.3%	61
94558-Napa	3,051	<1%	<1%	3,051
94559-Napa	849	<1%	<1%	849
94599-Yountville	757	<1%	<1%	757
94945-Novato	579	<1%	<1%	579
94947-Novato	849	<1%	<1%	849
94949-Novato	598	<1%	<1%	598
94952-Petaluma	1,014	<1%	<1%	1,014
94954-Petaluma	1,139	<1%	<1%	1,139
95409-Santa Rosa	1,470	<1%	<1%	1,470
Total	12,499	771	6.2%	11,728
Total		*800	6.4%	

*There are 29 inpatient discharges dispersed throughout the 9 zip codes

Medicare Inpatient Market Share by Zip Code and Hospital

Tables 17a and 17b below show the combined service area's distribution of Medicare inpatients by hospital and zip code in the combined service area.

Table 17a: 2010 Medicare Inpatient Market Share by Zip Code and Hospital Combined Service Area

	Total Cases	Sonoma Vly Hsp		Kaiser Fnd Hsp Rehab Ctr		Kaiser Fnd Hsp San Fran		Kaiser Fnd Hsp San Rafael		Kaiser Fnd Hsp St Rosa		Marin Gen Hsp Greenbrae		Petaluma Vly Hsp	
	#	#	%	#	%	#	%	#	%	#	%	#	%	#	%
95476 Sonoma	1,563	681	43.6%	32	2.0%	38	2.4%	220	14.1%	97	6.2%	86	5.5%	0	0.0%
95442 Glen Ellen	266	79	29.7%	0	0.0%	0	0.0%	0	0.0%	18	6.8%	0	0.0%	6	2.3%
Combined Service Area	1,829	760	41.6	32	1.7	38	2.1	220	12.0	115	6.3	86	4.7	6	0.3

Table 17b: 2010 Medicare Inpatient Market Share by Zip Code and Hospital Combined Service Area

	Total Cases	Queen Vly Mc Napa		Sonoma Devel Ctr Eldridge		St Rosa Mem Hsp		Sutter Mc St Rosa		Ucsf Mc San Fran		Univ Ca Davis Mc Sacramento		All Other Hospitals	
	#	#	%	#	%	#	%	#	%	#	%	#	%	#	
95476 Sonoma	1,563	78	5.0%	0	0.0%	78	5.0%	0	0.0%	0	0.0%	0	0.0%	253	16.2%
95442 Glen Ellen	266	0	0.0%	87	32.7%	17	6.4%	16	6.0%	7	2.6%	7	2.6%	29	10.9%
Combined Service Area	1,829	78	4.3	87	4.8	95	5.2	16	0.9	7	0.4	7	0.4	282	15.4

Medicare Inpatient Market Share by Service Line

Table 18a and 18b below show the 2010 combined service area Medicare inpatient market share by service line. Sonoma Valley Hospital holds market share in portions of many service lines listed below. The greatest market share came from medicine (52.6%), neurology (37.1%), orthopedics (37.1%), pulmonary (36.7%) and cardiology (36.3%).

Table 18a: 2010 Medicare Inpatient Market Share by Service Line Combined Service Area

	Total Market	Sonoma Vly Hsp		Kaiser Fnd Hsp Rehab Ctr		Kaiser Fnd Hsp San Rafael		Kaiser Fnd Hsp St Rosa		Marin Gen Hsp Greenbrae		Novato Comm Hsp	
Product Line	Cases	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share
Cardiology	267	97	36.3	<11	2.2	45	16.9	16	6	18	6.7	<11	0
Cardiovascular	26	<11	3.8	<11	0	<11	11.5	<11	0	<11	15.4	<11	0
Gastroenterology	161	66	41	<11	1.2	29	18	11	6.8	<11	5	<11	0
Gynecology	15	12	80	<11	0	<11	0	<11	0	<11	0	<11	0
Medicine	422	222	52.6	<11	0.5	40	9.5	22	5.2	21	5	<11	0
Mental Health	26	<11	3.8	<11	0	<11	11.5	<11	0	<11	19.2	<11	0
Neurology	132	49	37.1	<11	0	14	10.6	<11	6.1	12	9.1	<11	0.8
Neurosurgery	36	<11	11.1	<11	0	<11	0	<11	2.8	<11	8.3	<11	0
Not Valid Ms-Drg	<11	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Ob-Delivery	<11	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Oncology	33	<11	18.2	<11	0	<11	21.2	<11	3	<11	6.1	<11	6.1
Orthopedics	186	69	37.1	<11	1.6	22	11.8	25	13.4	<11	4.8	<11	1.6
Pulmonary	245	90	36.7	<11	3.3	27	11	16	6.5	11	4.5	<11	0.4
Rehabilitation	<11	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Surgery-General	126	39	31	<11	0.8	17	13.5	13	10.3	<11	3.2	<11	0.8
Surgery-Other	<11	<11	0	<11	20	<11	20	<11	20	<11	0	<11	0
Transplant	<11	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Urology	103	33	32	<11	1.9	15	14.6	<11	5.8	<11	7.8	<11	0
Vascular	19	<11	10.5	<11	0	<11	5.3	<11	0	<11	5.3	<11	0
Primary Service Area	1,591	630	39.6	25	1.6	220	13.8	101	6.3	102	6.4	<11	0.4
Secondary Service Area	228	61	26.8	<11	0	<11	1.8	19	8.3	<11	1.8	<11	0.4
Combined Service Area(ex NB and Neo)	1,819	691	38	25	1.4	224	12.3	120	6.6	106	5.8	<11	0.4

Table 18b: 2010 Medicare Inpatient Market Share by Service Line Combined Service Area

	Total Market	Petaluma Vly Hsp		Queen Vly Mc Napa		St Rosa Mem Hsp		Ucsf Mc San Fran		All Other Hospitals	
Product Line	Cases	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share	Cases	Market Share
Cardiology	267	<11	0.4	19	7.1	<11	3.7	<11	0.7	53	19.9
Cardiovascular	26	<11	0	<11	3.8	<11	19.2	<11	3.8	11	42.3
Gastroenterology	161	<11	1.9	<11	5.6	<11	4.3	<11	1.9	23	14.3
Gynecology	15	<11	0	<11	0	<11	0	<11	0	<11	20
Medicine	422	<11	1.2	22	5.2	17	4	<11	1.4	65	15.4
Mental Health	26	<11	0	<11	0	<11	3.8	<11	0	16	61.5
Neurology	132	<11	1.5	11	8.3	12	9.1	<11	0.8	22	16.7
Neurosurgery	36	<11	0	<11	8.3	<11	22.2	<11	22.2	<11	25
Not Valid Ms-Drg	<11	<11	0	<11	0	<11	0	<11	50	<11	50
Ob-Delivery	<11	<11	0	<11	0	<11	25	<11	25	<11	50
Oncology	33	<11	0	<11	6.1	<11	12.1	<11	3	<11	24.2
Orthopedics	186	<11	1.6	12	6.5	14	7.5	<11	1.6	23	12.4
Pulmonary	245	<11	0.8	14	5.7	13	5.3	<11	0.8	61	24.9
Rehabilitation	<11	<11	0	<11	33.3	<11	50	<11	0	<11	16.7
Surgery-General	126	<11	0.8	<11	5.6	12	9.5	<11	3.2	27	21.4
Surgery-Other	<11	<11	0	<11	20	<11	0	<11	0	<11	20
Transplant	<11	<11	0	<11	0	<11	0	<11	60	<11	40
Urology	103	<11	0	<11	4.9	<11	4.9	<11	1	28	27.2
Vascular	19	<11	0	<11	5.3	<11	15.8	<11	0	11	57.9
Primary Service Area	1,591	<11	0.6	101	6.3	98	6.2	31	1.9	267	16.8
Secondary Service Area	228	<11	3.5	<11	3.5	17	7.5	<11	2.6	100	43.9
Combined Service Area(ex NB and Neo)	1,819	17	0.9	109	6	115	6.3	37	2	367	20.2

Medicare Inpatient Market Share – Surgeries

Tables 19a and 19b show Medicare inpatient market share for surgeries in the combined service area. Sonoma Valley Hospital captured 27% of all Medicare surgeries in the combined service area. The greatest market share came from gynecology (80%), orthopedics (33.3%) and general surgery (31%).

Table 19a: 2010 Medicare Inpatient Market Share – Surgeries Combined Service Area

	Total Market	Sonoma Vly Hsp		Kaiser Fnd Hsp Rehab Ctr		Kaiser Fnd Hsp San Fran		Kaiser Fnd Hsp San Rafael		Kaiser Fnd Hsp St Rosa		Marin Gen Hsp Greenbrae		Novato Comm Hsp	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	31	<11	0	<11	0	<11	12.9	<11	6.5	<11	6.5	<11	12.9	<11	0
Cardiovascular	26	<11	3.8	<11	0	<11	19.2	<11	11.5	<11	0	<11	15.4	<11	0
Gynecology	15	12	80	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Neurosurgery	36	<11	11.1	<11	0	<11	0	<11	0	<11	2.8	<11	8.3	<11	0
Oncology	<11	<11	100	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Orthopedics	159	53	33.3	<11	1.9	<11	0	19	11.9	24	15.1	<11	5.7	<11	1.9
Surgery-General	126	39	31	<11	0.8	<11	4	17	13.5	13	10.3	<11	3.2	<11	0.8
Surgery-Other	<11	<11	0	<11	50	<11	0	<11	50	<11	0	<11	0	<11	0
Transplant	<11	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Urology	28	<11	32.1	<11	0	<11	3.6	<11	28.6	<11	3.6	<11	7.1	<11	0
Vascular	19	<11	10.5	<11	0	<11	0	<11	5.3	<11	0	<11	5.3	<11	0
Primary Service Area	393	108	27.5	<11	1.3	15	3.8	49	12.5	34	8.7	26	6.6	<11	0.8
Secondary Service Area	55	13	23.6	<11	0	<11	0	<11	3.6	<11	12.7	<11	1.8	<11	1.8
Combined Service Area(ex NB and Neo)	448	121	27	<11	1.1	15	3.3	51	11.4	41	9.2	27	6	<11	0.9

Table 19b: 2010 Medicare Inpatient Market Share – Surgeries Combined Service Area

	Total Market	Petaluma Vly Hsp		Queen Vly Mc Napa		St Helena Hsp		St Rosa Mem Hsp		Sutter Mc St Rosa		Ucsf Mc San Fran		All Other Hospitals	
Product Line	Cases	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %	Cases	Market Share %
Cardiology	31	<11	0	<11	16.1	<11	3.2	<11	16.1	<11	0	<11	0	<11	25.8
Cardiovascular	26	<11	0	<11	3.8	<11	0	<11	19.2	<11	7.7	<11	3.8	<11	15.4
Gynecology	15	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0	<11	20
Neurosurgery	36	<11	0	<11	8.3	<11	2.8	<11	22.2	<11	2.8	<11	22.2	<11	19.4
Oncology	<11	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Orthopedics	159	<11	1.9	11	6.9	<11	1.9	12	7.5	<11	1.9	<11	1.3	14	8.8
Surgery-General	126	<11	0.8	<11	5.6	<11	0	12	9.5	<11	2.4	<11	3.2	19	15.1
Surgery-Other	<11	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0	<11	0
Transplant	<11	<11	0	<11	0	<11	0	<11	0	<11	0	<11	60	<11	40
Urology	28	<11	0	<11	3.6	<11	0	<11	7.1	<11	3.6	<11	0	<11	10.7
Vascular	19	<11	0	<11	5.3	<11	15.8	<11	15.8	<11	5.3	<11	0	<11	36.8
Primary Service Area	393	<11	0.3	27	6.9	<11	2	38	9.7	<11	0.8	15	3.8	61	15.5
Secondary Service Area	55	<11	5.5	<11	3.6	<11	0	<11	16.4	<11	14.5	<11	5.5	<11	10.9
Combined Service Area(ex NB and Neo)	448	<11	0.9	29	6.5	<11	1.8	47	10.5	11	2.5	18	4	67	15

Medicare Patient Outmigration

Patient outmigration analysis looks at the percentage of patients who seek inpatient services outside of the service area. Sonoma Valley Hospital is the only hospital located within the combined service area. 56% of the Medicare cases are leaving Sonoma to receive care and 70% are leaving Glen Ellen. The combined service area has a total outmigration of 58%.

Table 20: 2010 Medicare Inpatient Outmigration

Zip Code – City	SVH 2010 Medicare Inpatient Discharges	Competitor 2010 Medicare Inpatient Dishcharges	Total 2010 Medicare Inpatient Discharges	2010 Combined Service Area Medicare Outmigration
95476–Sonoma	681	882	1,563	56.4%
95442–Glen Ellen	79	187	266	70.3%
Total	760	1,069	1,829	58.4%

Inpatient Demand Estimates

Inpatient demand in the combined service area is projected to increase 2.1% from 2010-2015. Table 21 below shows the current and projected demand for each service line.*

Table 21: Inpatient Demand Estimates
Combined Service Area

Product Line	2010 Estimated Cases	2015 Estimated Cases	2010-2015 Volume Change	2010-2015 Percent Change
Cardiology	314	320.6	6.6	2.1%
Cardiovascular	39	41.6	2.6	6.6%
Gastroenterology	184	185.9	1.9	1.0%
Gynecology	43	40.8	-2.2	-5.1%
Medicine	548	550.2	2.2	0.4%
Mental Health	26	26.3	0.3	1.1%
Neurology	144	144.2	0.2	0.1%
Neurosurgery	48	48.9	0.9	1.8%
Ob-Delivery	254	267.7	13.7	5.4%
Ob-Other	28	27.5	-0.5	-1.6%
Oncology	61	65.7	4.7	7.7%
Orthopedics	271	275.8	4.8	1.8%
Pulmonary	206	211.2	5.2	2.5%
Rehabilitation	415	420.6	5.6	1.4%
Surgery-General	215	220.2	5.2	2.4%
Surgery-Other	5	4.9	-0.1	-2.2%
Transplant	0	0	0	
Ungrouped Or Invalid Drg	1	1.3	0.3	26.8%
Urology	99	98.7	-0.3	-0.3%
Vascular	17	17.9	0.9	5.3%
CSA Total Exc NB and Neonates (789-795)	**2,918**	**2,970**	**52**	**1.8%**
Neonate (789-794)	124	129.3	5.3	4.3%
Normal Newborn (795)	241	251.7	10.7	4.4%
CSA Total Exc Only Normal Newborn (795)	**3,042**	**3,099.3**	**57.3**	**1.9%**
Combined Service Area (CSA) Total Cases	**3,283**	**3,350.9**	**67.9**	**2.1%**

* The demand projections are based on national trends.

Outpatient Demand Estimates by Service Line

Tables 22 below shows outpatient demand estimates by service line. Sonoma Valley Hospital's combined service area is projected to see increased demand for all service lines listed below, most notably in diagnostic (7.1%) and total outpatient visits (5.6%).

Table 22: Outpatient Demand Estimates: Combined and Total Service Area

	Emergency Department			
Service Area	***2010 Estimated***	***2015 Estimated***	***2010-2015 Volume***	***2010-2015 Percent***
Combined Service Area	11,251.0	11,257.4	6.3	0.1%
Primary Service Area	9,949.5	9,957.7	8.2	0.1%
Secondary Service Area	1,301.5	1,299.6	-1.8	-0.1%
Target Service Area 1	29,356.7	30,297.8	941	3.2%
Target Service Area 2	7,878.6	7,942.7	64.1	0.8%
Target Service Area 3	37,763.2	39,022.2	1258.9	3.3%
Total Service Area	86,249.6	88,520.0	2270.4	2.6%

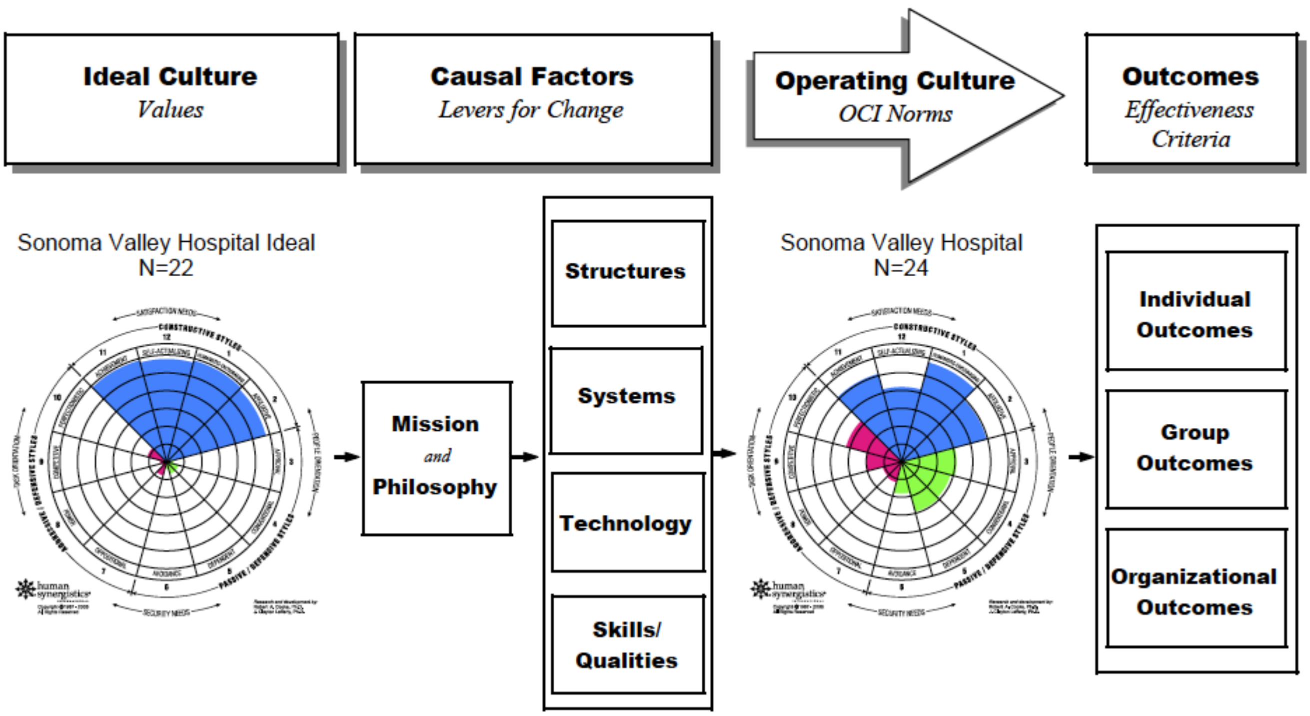
	Ambulatory Surgery			
Service Area	***2010 Estimated***	***2015 Estimated***	***2010-2015 Volume***	***2010-2015 Percent***
Combined Service Area	1,444.3	1,494.4	50.1	3.5%
Primary Service Area	1,277.2	1,321.9	44.6	3.5%
Secondary Service Area	167.1	172.5	5.4	3.3%
Target Service Area 1	3,768.6	4,021.9	253.3	6.7%
Target Service Area 2	1,011.4	1,054.4	43	4.2%
Target Service Area 3	4,847.7	5,180.0	332.3	6.9%
Total Service Area	11,072.0	11,750.7	678.7	6.1%

	Diagnostic Outpatient			
Service Area	***2010 Estimated***	***2015 Estimated***	***2010-2015 Volume***	***2010-2015 Percent***
Combined Service Area	44,452.5	47,606.7	3154.2	7.1%
Primary Service Area	39,310.3	42,110.6	2800.2	7.1%
Secondary Service Area	5,142.1	5,496.1	354	6.9%
Target Service Area 1	115,987.6	128,127.2	12139.7	10.5%
Target Service Area 2	31,128.1	33,589.1	2461	7.9%
Target Service Area 3	149,201.4	165,022.1	15820.7	10.6%
Total Service Area	340,769.5	374,345.1	33575.6	9.9%

	Total Outpatient Visits			
Service Area	***2010 Estimated***	***2015 Estimated***	***2010-2015 Volume***	***2010-2015 Percent***
Combined Service Area	57,147.8	60,358.4	3210.6	5.6%
Primary Service Area	50,537.1	53,390.1	2853	5.6%
Secondary Service Area	6,610.7	6,968.3	357.6	5.4%
Target Service Area 1	149,112.9	162,446.9	13334.1	8.9%
Target Service Area 2	40,018.0	42,586.2	2568.1	6.4%
Target Service Area 3	191,812.4	209,224.3	17411.9	9.1%
Total Service Area	438,091.1	474,615.8	36524.7	8.3%

Cultural Assessment

How Culture Works

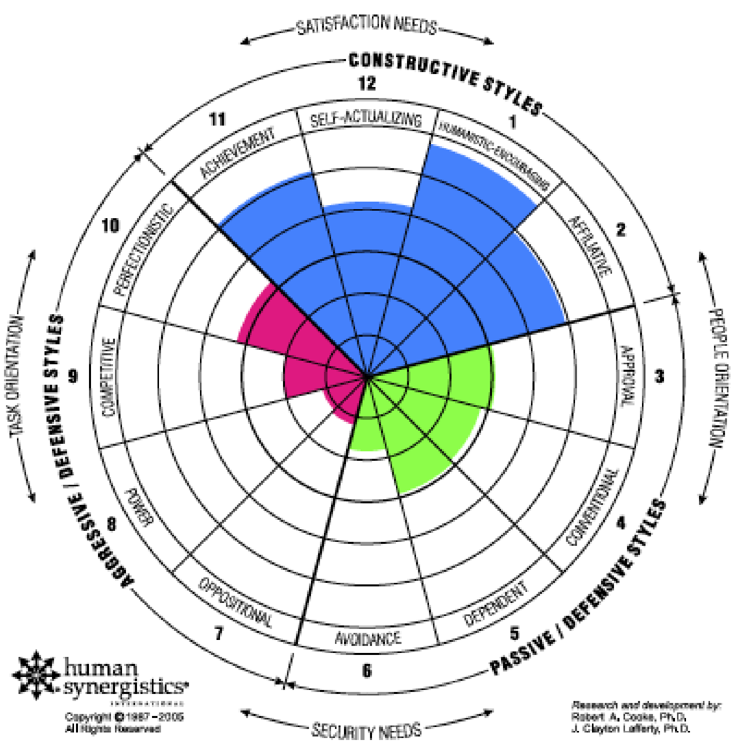


Sonoma Valley Hospital
October 2011

Sonoma Valley Hospital's Current Culture

ORGANIZATIONAL CULTURE 2-7
(All Respondents)

Current Culture
All Respondents
N=24



Overall, the strongest extensions are in the **Constructive** cluster.

With respect to the specific cultural norms, the…

Primary Style is **Humanistic-Encouraging**

People are expected to:
- show concern for the needs of others
- give positive rewards to others
- help others to grow and develop

Secondary Style is **Achievement**

People are expected to:
- openly show enthusiasm
- pursue a standard of excellence
- know the business

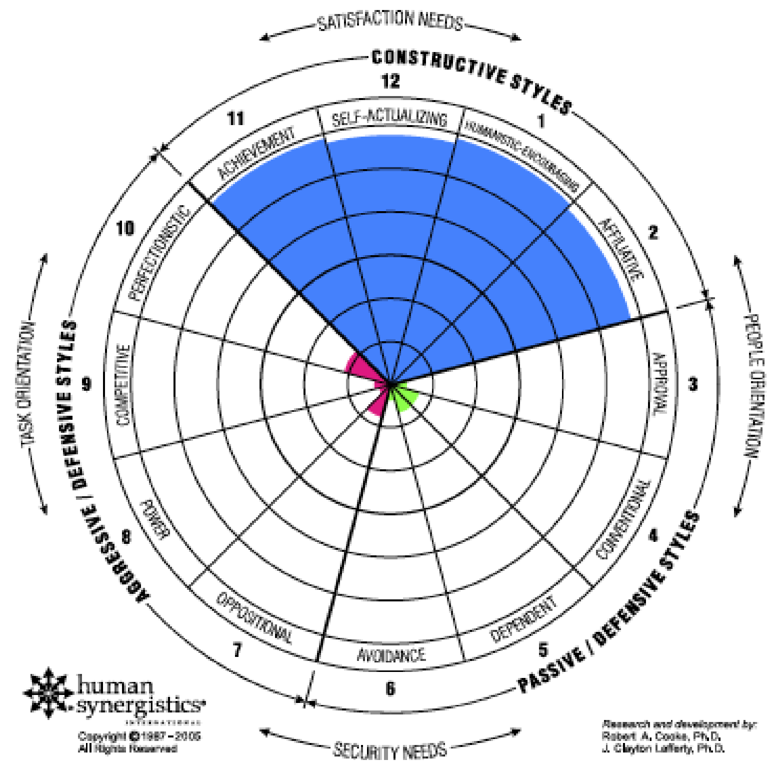
Note: The items listed under the primary and secondary styles are those with the highest mean scores.

Sonoma Valley Hospital
October 2011

Sonoma Valley Hospital's Ideal Culture

ORGANIZATIONAL CULTURE
(All Respondents)

Ideal Culture
All Respondents
N=22



Overall, the strongest extensions are in the **Constructive** cluster.

With respect to the specific cultural norms, the…

Primary Style is **Humanistic-Encouraging**

Ideally, people should be expected to:
- be supportive of others
- encourage others
- show concern for the needs of others

Secondary Style is **Achievement**

Ideally, people should be expected to:
- pursue a standard of excellence
- work for the sense of accomplishment
- know the business

Note: The items listed under the primary and secondary styles are those with the highest mean scores.

Sonoma Valley Hospital
October 2011

The Future

Sonoma Valley Hospital's vision is becoming a reality. We have made significant progress in stabilizing the organization and are now exceeding average national benchmarks in service excellence and quality. Because of the support from our community, we break ground on the new emergency and surgery wing in spring, 2012. In 2011 the hospital was financially able to address the long standing deferred maintenance issues to bring our older facilities up to seismic requirements and allow these areas to function for another 20 years. We continue to be able to serve the hospital district even when our reimbursement from Medicare and Medi-Cal is significantly lower than cost due to the support of the community through the annual parcel tax. Our philanthropic support has improved drastically in the past year which has led us to offer comfortable, state of the art beds, medical equipment and excellent diagnostic services. We look forward to continued success as we guide our community through their healthcare journey.

New Emergency and Surgery Departments
Open 2013