



Long Beach Medical Center  
Community Medical Center Long Beach  
Miller Children's & Women's  
Hospital Long Beach

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June 15, 2018

City of Long Beach  
333 West Ocean Boulevard  
Long Beach, CA 90802  
Attention: Dr. Robert Garcia, Mayor  
Patrick H. West, City Manager  
Daryl Supernaw, 4<sup>th</sup> District Councilmember  
John Keisler, Economic Development Director

**Re:** Closure of Community Medical Center Long Beach

Ladies and Gentlemen:

On March 5, 2018, we notified you, appropriate state agencies and the public of our decision to terminate the lease with the City and close Community Medical Center Long Beach not later than July 3, 2018. Our announcement followed the November 2017 announcement and discussions with City staff and elected officials that, based on the conclusions of independent seismic experts, it was impossible for Community Medical Center to comply with applicable seismic requirements for acute care hospitals due to the hospital being located on an active earthquake fault. These conclusions were confirmed by the California Office of Statewide Health Planning and Development (OSHPD) and, later, by the City's own outside experts.

In the more than three months following our March 5 announcement, we have been coordinating with the relevant public agencies and executing a thoughtful and responsible plan to wind down the operations of the hospital in a manner that prioritizes patient care and safety. We have been doing so while, at the same time, treating our employees and other stakeholders fairly and, of course, complying with applicable laws and regulations. (As you know, state and local regulations require that we follow specific steps to close the hospital in an orderly fashion over a period of time.) As of today, the hospital's patient census is in the low 20's, and most of the hospital's employees have already left for or accepted longer-term positions at other facilities and employers. Moreover, we have given notice of termination under our agreements with vendors and service providers (including physicians and other medical service providers), and all equipment other than that required for remaining operations has been removed or returned to the leasing companies. These processes are operationally irreversible at this late date, and the hospital remains on schedule to close not later than July 3, 2018, with arrangements in place for the safe transfer of any then-remaining inpatients to other care facilities.

The decision to close Community Medical Center has been difficult, but we continue to believe that the decision is the right one. In our view, it would be irresponsible for MemorialCare or

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anyone else to continue to operate an acute care hospital that is located on a known active earthquake fault when there is no viable option for bringing the facility into compliance with applicable seismic regulations. This aligns with the public policy underlying the regulations, and it has guided our decisions from the time that the relevant seismic conditions were first identified by the independent experts. Further, this is all the more true in a circumstance such as this one, in which it has been demonstrated by an independent assessment that the acute care needs of the community can be adequately met through existing or expanded resources at Long Beach Medical Center, St. Mary Medical Center and other facilities that do not present the same safety risks in the event of an earthquake.

Nevertheless, we have fully cooperated with the City's efforts to identify and potentially engage a successor operator for the hospital. We have, at your request, met with three separate groups that expressed interest to the City in potentially operating the hospital following termination of our lease. We also provided each of these groups with the operating information and other data that they requested concerning the hospital, and we have been very transparent and candid with them and the City as to the unique challenges that we believe they would face should they operate Community Medical Center. We understand that at least one of these groups ultimately determined to withdraw from the City's process. In any case, you have now indicated to us your decision to proceed with further discussions with the lone remaining group, which is comprised of certain individuals and affiliates of one or more for-profit enterprises.

This private group has requested that MemorialCare enter into an interim arrangement pursuant to which the new group would operate the hospital under MemorialCare's existing license and Medicare provider number. Among other things, such an arrangement would enable the private group to benefit financially by avoiding the need to make costly safety and other improvements to the facilities that would otherwise be required of any newly licensed operator. Such an arrangement, however, would not in any way address the threshold issue of seismic safety compliance, nor would it assure that any solution would ultimately be found to allow the hospital to continue operations in the future. It would, however, subject MemorialCare to potential legal, operational and financial risks.

We want to be clear that any negotiations concerning the operation of the hospital after its closure on July 3, 2018 are between the City and its prospective operator. With the land and building owned by the City, MemorialCare is not and will not be a party to any such negotiations, nor is it necessary for MemorialCare to become a party for the City to complete a transaction with another operator. The fact is that the City and the prospective operator, without any involvement of MemorialCare, have the ability to negotiate a transaction and seek all necessary regulatory approvals to reopen the hospital under the new operator. The City and the prospective operator can also seek any desired legislative changes to ease or extend the

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time period for compliance with the applicable seismic requirements (although in our view, a legislative extension of the period for compliance would be irresponsible when a facility is located on top of an active earthquake fault).

Should the City successfully conclude negotiations with a prospective operator, and the City and the operator obtain the requisite regulatory approvals to the change in operator and a plan for seismic compliance, we stand by our previous commitments to provide reasonable assistance to the City in connection with any transition of the facility to a new operator. We are aware, however, that the City and the operator have not yet negotiated any financial or other key business terms of their arrangement, nor has any information been provided as to their ability or plans to finance the improvements necessary to satisfy applicable seismic and building code requirements.

Moreover, we understand that the City and the prospective operator have not yet commenced any processes to obtain the necessary regulatory approvals from the California Department of Public Health, the California Attorney General's Office, OSHPD, the Centers for Medicare & Medicaid Services, the Joint Commission or any other applicable agencies. In particular, we are unaware of any developed or approved plan by the City or the operator to address the threshold issue of seismic safety and compliance at the facility, which will be a pre-requisite to continuing licensure and any long-term, sustainable operating plan for the hospital. Many of these regulatory approval requirements would apply equally in the case of a proposed management agreement involving MemorialCare and the new operator. In any case, these processes typically take months, even in the most clear and straight-forward of circumstances. With the City and the operator only now beginning to consider these matters (instead of when the determination to close was announced more than three months ago), it will not be feasible for them to complete the necessary processes and obtain the regulatory approvals prior to the closure of the hospital on July 3, 2018 (*i.e.*, in only 18 days). Any assertion to the contrary is simply misinformed, and would be potentially misleading. This fact does not preclude the City and the new operator from ultimately gaining such approvals and re-opening the hospital, but it will require substantial time and effort on the part of both parties to complete the processes.

As I have indicated, we regret that our relationship with Community Medical Center is coming to an end. Back in 2011, when Community Medical Center was on the verge of closure due to financial challenges, MemorialCare stepped in to stop the closure by assuming a lease agreement with the City to continue hospital operations. The transaction was completed only after the parties (including the City) spent several months working to obtain the necessary regulatory approvals. The City was aware at that time that there were some seismic challenges to the location, and we both agreed that MemorialCare would conduct further studies to understand the full extent of seismic issues to ensure they could meet California's SB 1953 seismic requirements to operate an acute care hospital.

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Since 2011, we invested more than \$22 million in programmatic and operational enhancements, including \$15 million in capital funding for necessary updates. In addition, nearly \$1 million was spent on additional seismic studies. We have acted in good faith and with complete transparency on these matters, and have exhaustively explored all options to continue operations at Community as an acute care hospital. We have concluded, unfortunately, that there is no viable option to do so given the seismic conditions. We expressed a willingness to work with the City to convert the hospital to a behavioral health or acute psychiatric care facility (which, given the ambulatory nature of the patients, is not subject to the more stringent seismic standards applicable to acute care hospitals), but the City declined our proposal.

We respect the City's right to pursue an alternative course, and we wish the City well as it continues its discussions with the current or any other operator candidates. Regardless of the outcome of the City's discussions, we remain committed to working with the City to improve the health and well-being of individuals, families and the greater Long Beach community, as we have since we opened our first hospital in 1907.

Regards,



John Bishop  
Chief Executive Officer  
Long Beach Memorial Medical Center

cc: Charles Parkin, City Attorney