

Successful Healthcare Operational Track Record

Alvarado Hospital Medical Center (2006 – 2010)

Investment Summary



Acquisition date	Dec-2006
Seller	tenet
Purchase price	\$22 million
Location	San Diego, CA
Hospital type	Acute & specialty care
# Beds	306
# Employees	1,500+

Investment Returns

Exit date	Nov-2010
Buyer	Prime Healthcare
Equity multiple ^(a)	6.0x
IRR	~50%
Additional real estate development	4.0x on additional equity



Clinical Improvement Highlights

- **Physician recruitment:** Cardiology, orthopedics, spine program, neurosurgery, urology and internal medicine
- **New specialties and service lines:** Minimally invasive spine surgery program, skull base neurosurgery program and laparoscopic gastric bypass adding a new MRI suite, new CT scan suite, and new cardiac catheterization suite
- **Increased patient census:** With the new specialties and service lines, an emergency room physician restructuring, and improved hospital admissions

Operational Improvement Highlights

- **Health insurance plan reimbursements:** Renegotiated health plan agreements achieving significant rate increases
- **Navigate regulatory environment:** Renegotiated Medicaid and CDCR agreements with the State of California achieving significant rate increases
- **Operating Improvements:** Hospitalist program implemented to reduce patient length-of-stay and hospital acquired infections, and renegotiated vendor agreements achieving significant cost savings.
- **Development of Excess Real Estate:** Built 320 student housing units on half the 10-acre hospital campus, which is next to San Diego State University

Clinical Achievements

Emergency department admissions growth	+22%
Hospital admissions growth	+55%
Cardiac admissions growth	+88%
Clinical trials growth	From 1 to 55

Financial Achievements

Average daily census growth	From 80 to 120
Length of stay reduction	From 7.4 to 4.2 days
Revenue growth	14% CAGR from \$120mm to \$200mm
EBITDA turnaround	(\$10mm) loss to \$12mm profit

(a) Represents the total amount of equity returned over the total amount of equity invested