

**Report of the Monitor, R. Shermer & Company, Inc.,
to the Parties and the Court
Concerning St. Luke's Health System, Ltd. and the
Saltzer Medical Group, P.A.**

March 10, 2016

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Executive Summary

As part of its Final Order, the United States District Court in the District of Idaho approved a Monitor Agreement on December 10th, 2015 under which R. Shermer & Company (“R. Shermer” or “Monitor”) was appointed to oversee the efforts of St. Luke’s Health System, Ltd. (“St. Luke’s”) to maintain the economic viability and marketability of the assets of the Saltzer Medical Group, P.A. (“Saltzer”) during the divestment process. Additionally, the Order appointed Cain Brothers as Divestiture Trustee (“Trustee”) to accomplish the divestiture, as promptly and reasonably possible.

This report contains observations and information related to R. Shermer’s role as Monitor and summarizes activities working with the management and staff of St. Luke’s and Saltzer during the period from February 11th to March 10th, 2016. During this period, the Monitor has been in contact with many members of the management and medical staff of Saltzer and the legal staff of St. Luke’s.

The Monitor is satisfied at this time that it has been granted access to all necessary personnel, information and records needed to support the monitoring process. To the best of the Monitor’s knowledge, since December 10th, 2015 St. Luke’s has operated within the spirit of the Final Order consistent with its intent and goals.

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I. Human Resources, Employee Departures

From early February through March 10th, 2016, there were 21 changes in status involving Saltzer employees. As described below, these moves took place for a variety of reasons and more than two-thirds of these were either neutral or benefited Saltzer.

- Seven of these adjustments, a full third of the status changes, were merely modifications in supervisory reporting relationship, due to an employee moving to a new location or department. Generally, these are done to enhance proper utilization of employee skillsets.
- Four were a result of the Research Group transitioning back to Saltzer. This is universally regarded as a benefit to Saltzer, since it is seen as a positive when it comes to recruiting new physicians to Saltzer.
- One status change was promotion from Staff RN to Lead Clinical Support RN.
- One was a new hire to replace a full-time pulmonary function technician (“PFT”).
- Another was a new hire to replace a full-time X-Ray technician.
- And another was to honor a request for a reduction in hours to PRN status from an individual who is enrolled in school. This employee will replace an individual listed below who was trying PRN status, but decided to resign.

The remaining six changes in status were resignations, as described below:

- The resignation of a PRN Registered Medical Assistant (“RMA”), whom as a result of school obligations, was unable to continue working.
- The resignation of a full-time Patient Specialist 2, no reason provided. Saltzer will need to backfill.
- The resignation of a full-time Certified Medical Assistant (“CMA”) working in Quick Care. The employee was offered a full-time position with the military. Saltzer will need to backfill.
- The resignation of a fulltime Patient Specialist 2, who is retiring. Saltzer will need to backfill.
- The resignation of a fulltime RMA, who is not seeking other employment at this time. Saltzer will need to backfill.
- The resignation of another fulltime RMA who is also not seeking other employment at this time. Saltzer will need to backfill.

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II. Research Update

The Research Group was officially moved to Saltzer effective February 21st, 2016. Andrea Long agreed to accept the position as the head of the new group and a number of meetings have been held to resolve the details of what such a transition should look like. The follow items have been resolved:

- Saltzer Research employees will continue to receive the same salaries and benefits from St. Luke's. However, they will no longer report to St. Luke's Medical Director of Research Dr. Mark Roberts, but will now report into the Saltzer organization.
- The Research Group will pursue new research projects as the Saltzer Medical Group, with a tax ID separate from St. Luke's.
- There are five ongoing, research studies that have active participants, and four studies that are in a data cleanup mode by the sponsors where the studies have essentially been completed but have not been closed. One of the four studies is closed with the Institutional Review Board ("IRB") but the sponsor has not done a final site visit and another study has notified the Research Group that it is close to completion.
- All nine research studies will be transitioned from St. Luke's to Saltzer Medical Group unless they are so close to completion that it isn't practical. This transition will involve the reassignment of contracts and revisions to all of the other study documents. Until the conversion is complete, St. Luke's will continue to receive all payments from the sponsors and the research physicians will continue to be paid per the contracts signed in late January. After that time, the payments from the research sponsors will be paid directly to Saltzer.
- Letters from the Research Group to the sponsors are being prepared as this report is finalized.
- New research contracts entered into by Saltzer will be paid directly to Saltzer.
- The regulatory support for existing studies and new studies is, for the time being, to be provided by St. Luke's.

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III. Nampa Medical Properties

Nampa Medical Properties (“NMP”), the physician owned group that leases the primary building in Nampa to Saltzer, is in the final stages of purchasing the land under the building and a nearby parking lot from Trinity Health, the parent company of St. Alphonsus. NMP had an option to purchase this land if there was a change in control of the adjacent hospital, which occurred when Trinity purchased it. The agreed purchase price is reportedly a “\$100,000-plus discount below the appraised value.” The purchase price could not be confirmed as of this writing. This acquisition will allow NMP additional flexibility if it decides to sell the building to another party.

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V. Conclusion

The Monitor is satisfied at this time that St. Luke's is acting consistently with the spirit of the Final Order. Additionally, the Monitor is satisfied that it has been granted access to the personnel, information and records needed to support the monitoring process.

Respectfully Submitted,

R. Shermer & Company, Inc.

March 10th, 2016

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 11th day of March, 2016, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which sent a Notice of Electronic Filing to the following:

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