

**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.**

May 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 April 11th to May 10th, 2016. During this period, the Monitor has been in contact with 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 in compliance with the Final Order.

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I. Human Resources, Employee Departures

From early April through May 10th, 2016, there were five changes in status involving Saltzer employees. As described below, these moves took place for a variety of reasons and were either neutral or beneficial to Saltzer.

- Two involved status changes to recognize a new “Job Title” and the resulting supervisory change.
- Three were simply changes in status due to individuals being reassigned to report to a new supervisor.

The remaining changes in status were resignations or new hires, as described below:

- Only one resignation took place during this time period, a Registered Medical Assistant (“RMA”) left to start a new career and join a landscaping company.
- One involved an individual who was hired as a replacement for a Licensed Practical Nurse (“LPN”) who had resigned in an earlier time period.
- Five were newly created positions for a Centralized Authorization and Referral Team and one was a new position for a Certified Coder. These six positions were approved due to the fact that earlier staff reductions proved to be “too deep” resulting in excessive overtime.
- One involved a new position for a Health Information Management (“HIM”) Supervisor, to oversee Medical Records and Coding.
- One was for a new position as Refill Centralized Scheduler.

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II. Research Update

The Research Group was officially moved to Saltzer on February 21st, 2016 and steps have been taken to rebuild the Research Group as a stand-alone entity under Saltzer. St. Luke's will continue to support this transition per the requirements of the Order. Developments that have taken place during this reporting period include:

- Saltzer and St. Luke's Research personnel have continued contacting the sponsors of the open research studies to coordinate the best way to manage the remaining life of these projects. This is being worked on a study-by-study basis. It now appears that five studies will be transferred from St. Luke's to Saltzer in the near future.
- The Research Group has reached out to various potential sponsors to discuss participation in new studies and has received some positive interest.
- Several minor interventions remain in order to fully complete the transition to an independent Saltzer. A weekly conference call is ongoing to continue communication to and coordination with all of those involved.

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III. Monitoring Focus Areas

During the last month the Monitor has continued to be involved as needed in many areas of the Saltzer group's operations. Working with the staff and management of St. Luke's and Saltzer, Cain Brothers and the Government Plaintiffs, the Monitor has participated in projects involving the following areas:

- Financial results for March
- Recalculation of monthly lease expense allocations
- Employee departures and hiring approvals
- Exception approvals for people applying for positions at St. Luke's
- Research IT transition
- Research study transition
- Research group funding and holdbacks
- Research support tools
- Physician replacement
- Financial results for 2015
- Income and margin comparison, 2015 vs. 2012
- IT capital budget, five-year plan
- Rationale for IT project spending, St. Luke's peer review
- Clarified allowable joint community relations involvement
- Began investigating ACO/Network requirements
- Organization realignment and rationale for adding Full-time Equivalent ("FTE")
- Trustee selling process progress, pre-discussions with various Saltzer Physicians and staff
- Quality of Earnings Analysis
- Performance Improvement discussions
- Discuss various compliance and divestiture issues with the Government Plaintiffs.
- Work with Cain Brothers to edit and comment on the Confidential Information Memorandum ("CIM")

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IV. Conclusion

The Monitor is satisfied at this time that St. Luke's is acting in compliance with 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.

May 10th, 2016

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 12th day of May, 2016, I electronically filed the *Monitor Report No.5-May 2016*, 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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