

**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.**

June 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 May 11th to June 10th, 2016. During this period, the Monitor has been in contact with members of the management and medical staff of Saltzer and the legal and medical 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 May through June 10th, 2016, there were six 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.

- One status change took place to recognize a new “Job Title” and two others were to reflect supervisory changes.
- Two were changes in status due to the switching of responsibly in administrative roles.
- One involved a change in title for the new position of Health Information Management (“HIM”) Supervisor, which had been previously approved.

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

- Five resignations took place during this time period, some for personal reasons and others for educational pursuits. Positions included a Physician’s Assistant, Manager of Research, Program Implementation Coordinator, a Registered Medical Assistant (“RMA”) and a Physician Services Payment Processor.
- Four others were new hires for positions due to the earlier approved changes in business processes.
- Two involved individuals hired as replacements for RMA positions.
- One individual was terminated.

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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 it 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:

- Two studies have been fully transferred from St. Luke's to Saltzer and three others are in various stages of being transferred.
- The Research Group continues to reach out to various potential sponsors to discuss participation in new projects. The Group has already been selected for three studies.
- Several minor interventions remain in order to fully complete the transition of Research to an independent Saltzer. A weekly conference call is ongoing to continue communication to and coordination with all of those involved.
- We continue to work on the issues surrounding Research Transition and Saltzer is now looking for a replacement for the manager position due to her acceptance of a new opportunity in education, external to Saltzer.

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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 and discussions involving the following areas:

- Financial results for April
- 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, holdbacks, and support tools
- Research regulatory support
- Physician replacement
- IT capital budget, five-year plan
- Rationale for IT project spending, St. Luke's peer review
- Alternative payment and risk-sharing plans
- Physician Call
- 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") and other documents related to the divestment process.

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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.

June 10th, 2016