

## MANAGEMENT SERVICE AGREEMENT

**THIS MANAGEMENT SERVICE AGREEMENT** (“*Agreement*”) is made and entered into and effective as of July 1, 2022 (“*Effective Date*”), by and between Dignity Health, a California nonprofit public benefit corporation (“*Dignity Health*”) that is an affiliate of CommonSpirit Health (“*CommonSpirit Health*”), and San Joaquin County on behalf of San Joaquin General Hospital (“*County*”). Both Dignity Health and County are collectively referred to herein as the “*Parties*” and individually referred to herein as a “*Party*.”

**WHEREAS**, County makes high-quality health care services available to residents of San Joaquin County, California and environs in a manner consistent with its core values of integrity, compassion, accountability, respect and excellence through the ownership and operation of a 152-bed general, acute care Medi-Cal Designated Public Hospital on its campus located at 500 W. Hospital Road, French Camp, California 95231 (“*Hospital*”) and related facilities;

**WHEREAS**, this Agreement has been developed in response to the County’s interest, as expressed in a Request for Information issued in February, 2020, in a collaborative relationship that would enable Hospital to continue to provide essential services to County residents; the Parties acknowledge and agree that the purpose of this Agreement is to preserve, sustain, and grow the services, and improve and enhance the financial stability, of the Health System;

**WHEREAS**, Dignity Health similarly supports the operation of hospitals located in California including St. Joseph’s Medical Center in Stockton, California and, as a result of these activities, Dignity Health has developed extensive experience in the provision of special services, including but not limited to areas of hospital management and administration;

**WHEREAS**, County and Dignity Health share a vision for developing a level of coordination that results in more accessible, high quality, clinically integrated, coordinated and lower cost care for the communities of Northern California that they serve while enhancing the overall health of those communities;

**WHEREAS**, in furtherance of this shared vision, County desires to retain Dignity Health to provide the special services outlined in this Agreement (collectively, the “*Services*”), and Dignity Health desires to provide the Services upon the terms and conditions stated below;

**WHEREAS**, the Parties agree that there will be no reduction in services at the Hospital as a result of Dignity Health providing the Services; and

**WHEREAS**, in the implementation of this Agreement, to the extent any advice and/or assistance provided by Dignity Health will result in changes within the scope of representation for County represented employees, as a condition precedent to any corresponding obligation to perform by either Party, the County labor bargaining groups representing such County employees will be provided the opportunity to fully and completely meet and confer with County, as required by law, prior to any such changes occurring.

**NOW, THEREFORE**, for and in consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, County hereby engages Dignity Health to perform the Services, and Dignity Health hereby accepts such engagement under the terms and conditions of this Agreement.

**Article I**  
**AUTHORITY AND RELATIONSHIP OF THE PARTIES**

**1.1 Appointment of Dignity Health.** Subject to **Section 1.3**, County hereby appoints Dignity Health, and Dignity Health hereby accepts such appointment from County, subject at all times to the terms and conditions herein, as the sole and exclusive agent acting for and on behalf of County to provide advice and assistance to County in overseeing management of the day-to-day administration of the Hospital and all related businesses owned, leased, managed or otherwise operated or conducted, directly or indirectly, by County. The Hospital and such other businesses, but specifically excluding the Excluded Affiliates described in **Section 1.2**, are collectively referred to herein as the “*Health System*”. The County’s appointment of Dignity Health specifically includes advice, assistance and oversight by Dignity Health of the provision of the Services as described in **Section 3.1** and **Schedules 3.1.1 and 3.1.2**, except with respect to those services and benefits more particularly described on **Exhibit A** (the “*County Retained Services*”).

**1.2 Delegation of Authority; Excluded Affiliates.** Dignity Health may delegate the performance of its duties under this Agreement, in whole or in part, to any of its wholly owned or controlled affiliates upon written notice to County. Dignity Health shall at all times remain liable for the acts of such affiliates. Notwithstanding any provision of this Agreement to the contrary, Dignity Health shall not have any responsibility pursuant to this Agreement for, or authority over, any of the Federally Qualified Health Centers affiliated with County (“*Excluded Affiliates*”), but Dignity Health shall make the Executive Employees (as defined below) available to the Excluded Affiliates to assist County in fulfilling its corporate governance and oversight responsibilities with respect to the Excluded Affiliates.

**1.3 Retention of Authority and Responsibility.** County will continue to operate the Health System and, through the County Administrative Officer (“*CAO*”) and Board of Supervisors (“*Board*”), shall exercise, throughout the Term (as defined in **Section 8.1** hereof), ultimate authority, supervision, direction and control over the business, policies, operation and assets of the Health System, and shall retain the ultimate authority and responsibility regarding the powers, duties and responsibilities for County vested in the governing body under applicable Legal Requirements (as defined in **Section 11.12** hereof). Dignity Health shall carry out all of its duties and responsibilities hereunder subject to the ultimate authority of County, acting through the CAO and the Board, and in accordance with the terms and conditions of this Agreement. All decisions to be made by County or authority retained by County in this Agreement shall be made by, or delegated to, the CAO and Board, and any action or approval of the CAO and Board shall be taken in accordance with any governing documents of County and in accordance with applicable Legal Requirements. Nothing in this Agreement is intended to alter, weaken, displace or modify the responsibility of the Board for the direction and control of the Health System as set forth in County’s enabling statutes, state regulations and County ordinances, copies of which have been made available to Dignity Health. In addition to any other approvals required under this Agreement or applicable Legal Requirements, the approval of the Board shall be required prior to County engaging in any of the actions set forth on **Schedule 1.2** (the “*Board Reserved Powers*”).

## Article II EMPLOYEES

### 2.1 Executive Employees.

**2.1.1** During the Term, Dignity Health shall provide County with an individual to serve as the Health System's Chief Executive Officer ("**CEO**") and such other executives as Dignity Health may choose to employ (after consultation with the CAO) to serve the Health System (the CEO and such other employed executives are collectively referred to herein as the "**Executive Employees**"), each of whom has been approved in advance by the Board. A list of the executive positions to be filled by the Executive Employees as of the Effective Date is set forth in **Exhibit 2.1** of this Agreement. At all times during the Term, the Executive Employees shall receive wages, salaries, incentive compensation, severance and employee benefits consistent with (as determined in the sole discretion of Dignity Health in consultation with the CAO) those offered to other executives of Dignity Health in similar positions. Dignity Health will provide an estimate of these salary and benefit costs to the County for each Executive Employee appointed pursuant to this provision prior to making each such appointment.

**2.1.2** The Executive Employees shall be employees of and act under the direction, control and supervision of Dignity Health. On behalf of Dignity Health, the CEO shall keep the CAO informed of the conduct of the Health System through periodic reports. Dignity Health shall have the right to suspend an Executive Employee in accordance with its policies. In the event of suspension, termination, or replacement of an Executive Employee, Dignity Health shall notify the County Administrator within thirty (30) days regarding such action. County shall have the right to request the removal from the Hospital (but not termination as a Dignity employee) of an incumbent in any Executive Employee position. To the extent that any Executive Employee is terminated prior to the expiration of the Initial Term and any severance is owed to such Executive Employee pursuant to an agreement that the Board has approved, County will pay such severance.

**2.1.3** In addition to the Executive Employees, Dignity Health will also provide support from its executives and employees (the "**Dignity Health Leadership**") as follows:

(a) Dignity Health Market CEO: Management support to the Executive Employees and the Health System executive team, continued development of the relationship between the Board and Dignity Health, and consultative support for strategic planning.

(b) Dignity Health Market CFO: Management support to the Health system chief financial officer, consultative support for financial management and performance, revenue cycle, purchasing, supply chain, development of budgets, and expense reduction initiatives.

(c) Dignity Health Market Chief Nurse Executive: Management support to the CNO, consultative support for nursing quality, education, professional development, shared governance, and staffing.

(d) Dignity Health Market Chief Medical Officer: Support Health System chief of staff and medical executive committee, consultative support in the areas of clinical and quality oversight, performance improvement, credentialing, reappointment, peer review, and risk management.

- (e) Dignity Health Market Human Resources: Consultative support.
- (f) Dignity Health Market Corporate Responsibility: Consultative support.
- (g) Consistent with **Section 3.5** of this Agreement, such other areas as needed to support and implement the objectives of this Agreement, as mutually agreed in writing by the Parties.

**2.2 Health System Employees.** Except as otherwise provided for herein, all personnel who are necessary for the proper operation and maintenance of the Health System shall be employees or independent contractors of County or its affiliates. Dignity Health shall, consistent with Board approved budgets and operating plans, (a) advise the CAO and the Board with respect to hiring, promoting, assigning, supervising and discharging employees of the Health System, including the number and qualifications of employees needed in the various departments of the Health System, and (b) advise the CAO and the Board with respect to conditions of employment, staffing schedules, job descriptions and personnel policies with respect to Health System employees.

### **Article III SERVICES**

**3.1 General Responsibilities.** Dignity Health shall perform the Services in exchange for payment by County of the Management Fee and expenses defined in **Exhibit B**. Dignity Health shall provide the Services pursuant to this Agreement in good faith using commercially reasonable diligence and business practices consistent with the applicable standards of care within the healthcare industry. The Services shall include oversight and management of those activities described in **Schedule 3.1**.

**3.2 Management Support.** Dignity Health will provide the Executive Employees with support from the Dignity Health personnel described in **Section 2.1.3** and their staffs in the performance of the Executive Employees' administrative, clinical and other duties in carrying out the business operations of the Health System, and such other of the Dignity Health Leadership as Dignity Health determines to be necessary to support and implement the objectives of this Agreement. The management support to be provided by the Dignity Health to the Executive Employees includes the oversight and management activities described in **Schedules 3.1.1 and 3.1.2**. Notwithstanding the foregoing, County acknowledges and agrees that Dignity Health shall not provide legal advice to the Executive Employees or County, unless contracted separately as an Additional Service.

**3.2.1** With assistance from Dignity Health as described in the Services in **Section 3.1** and **Schedules 3.1.1 and 3.1.2**, County and the CAO will prepare, for review and input from the CEO and Dignity Health Market CFO, annual operating and capital budgets for the Health System. After input from the CEO and Dignity Health Market CFO, such budgets will be submitted to the Board for final approval. Each annual operating budget approved by the Board is referred to herein as the "**Approved Operating Budget**". Until such time that any annual operating budget has been approved by the Board, the prior Approved Operating Budget shall apply for all purposes hereunder (with such adjustments as reasonably determined by the Board (including increases for any non-discretionary expenses)). Each annual capital budget approved

by the Board is referred to herein as the “**Approved Capital Budget**” (and, together with the Approved Operating Budget, the “**Approved Budget**”).

**3.2.2** Upon approval of the Approved Budget by the Board, the Executive Employees and Dignity Health shall be authorized and, as needed, formally delegated the responsibility by the Board consistent with County rules and ordinances (a) to execute, perform, carry out and/or modify on behalf of County and its affiliates any and all contracts necessary to implement such Approved Budget; and (b) to execute any expenditures of County funds on behalf of County or its affiliates contemplated by, and in accordance with, the Approved Budget.

**3.2.3** Dignity Health and the Executive Employees will advise and assist the County in developing an operational and financial operating plan (“**Operating Plan**”) during the Initial Term that will provide a foundation for the creation of a long-term strategic plan for the Health System, which likely will not occur until the Extended Initial Term. Upon the development and approval by County of an Operating Plan and any subsequent strategic plan, which shall be referred to herein as the “**Approved Operating Plan**” and “**Approved Strategic Plan**,” respectively, the Executive Employees and Dignity Health shall be authorized, consistent with this Agreement, to take all other actions on behalf of County or its affiliates that Dignity Health deems necessary to manage the operations of the Health System to achieve the objectives set forth in the Approved Operating Plan and Approved Strategic Plan.

**3.3 Cost Savings Opportunities.** Dignity Health will evaluate opportunities to reduce the operating expenses incurred by County with respect to the Health System (“**Cost Savings Opportunities**”). The CAO will work in good faith with Dignity Health to consider, evaluate and implement Cost Savings Opportunities recommended by Dignity Health. The Parties will work cooperatively and in good faith to determine the best alternative(s) for implementing proposed Cost Savings Opportunities in a manner that is in the best interest of County, its medical staff and the County community. While the Management Fee paid pursuant to this Agreement is an expense-based fee independent of Cost Savings Opportunities, the Parties acknowledge and agree that the purpose of this Agreement is to preserve, sustain, and grow the services, and improve and enhance the financial stability, of the Health System.

#### **3.4 Medical Staff Development.**

**3.4.1** Subject to any applicable Legal Requirements, Dignity Health and the Executive Employees shall assess the Hospital’s medical staff and make recommendations to the CAO and the Board regarding medical staff development with respect to the Health System’s current primary care physicians and specialists, or the recruitment of new physicians, through County or another employer or as independent contractors. Any decision regarding such medical staff development and recruitment will be determined on a case-by-case basis by the CAO or the Board in consultation with Dignity Health.

**3.5 Limitations on Dignity Health’s Services.** County acknowledges and agrees that the Services shall include only those services specifically identified in **Section 1.1, Article II**, this **Article III** and **Schedules 3.1.1 and 3.1.2** of this Agreement; provided, however, that County may, from time to time, purchase additional services from Dignity Health, CommonSpirit Health, or one of their respective affiliates, which such services will be billed separately from the Management Fee but included in the overall operating expense of the Health System. The

provision of any such additional services must be confirmed through a signed amendment to this Agreement or by a separate written agreement signed by an authorized representative of each Party.

#### **Article IV**

#### **COUNTY RESPONSIBILITIES**

**4.1 County Responsibility for Management Fee.** County shall pay the Management Fee and other expenses to Dignity Health in accordance with the terms of **Exhibit B**. County acknowledges and agrees that (a) it shall remain responsible for all costs and expenses incurred in the operation of the Health System and (b) other than as provided by **Section 7.2**, nothing set forth in this Agreement obligates Dignity Health to make any payments from its own funds or resources, incur any costs, or assume any liabilities either primarily or as guarantor on behalf of County or its affiliates, or to advance any monies to County or its affiliates.

**4.2 Dignity Health Reliance on Health System's Policies.** County shall provide Dignity Health with copies of or access to its policies and procedures, and Dignity Health shall be entitled to rely on and assume the validity of such policies and procedures. Dignity Health shall not be held responsible for any such policies and procedures of which it has not been advised. Nothing in this **Section 4.2** shall be interpreted to prevent Dignity Health from recommending changes to existing policies or procedures, or recommending new policies and procedures, and providing such recommendations to the CAO and the Board for review and approval as provided in the Services. To the extent any such recommendations are determined to be a change within the scope of representation for represented employees, the labor unions representing such employees will be provided the opportunity to meet and confer with County as required by law, in advance of such changes.

**4.3 Dignity Health Reliance on Board Communications.** Dignity Health shall be entitled to rely on and assume the validity of communications from the Board and its designees made in connection with this Agreement.

**4.4 Medical and Clinical Staff; Medical and Professional Matters.** The medical staff of the Hospital ("**Medical Staff**") shall be organized and function according to its bylaws and applicable Legal Requirements, as well as to County rules, policies and collectively bargained MOUs. The Board shall retain authority for approval of the bylaws of the Medical Staff. All matters requiring professional medical judgments including, without limitation, the evaluation of clinical competence, the supervision of clinical performance, the provision of clinical training and the control of the composition, qualifications and responsibilities of the Medical Staff shall remain the responsibility of the Board, the Medical Staff and allied health professionals. Dignity Health shall have no responsibility whatsoever for such medical judgments. The Board and Medical Staff shall retain such roles and responsibilities as are necessary to meet the licensure or accreditation requirements of any agency or organization that has licensed or accredited the Health System and shall retain control over clinical decisions at Health System.

**Article V**  
**REPRESENTATIONS AND WARRANTIES OF THE PARTIES**

**5.1     Representations and Warranties of Dignity Health.** Dignity Health represents and warrants that the following are true:

**5.1.1** Dignity Health has the full authority to enter into this Agreement and the signature of Dignity Health's authorized representative on this document represents that this Agreement has been duly authorized, executed and delivered and represents a legal, valid and binding agreement, enforceable against Dignity Health in accordance with its terms.

**5.1.2** Except with respect to the California Department of Public Health, the execution, delivery and performance of this Agreement by Dignity Health, and consummation by it of the transactions contemplated hereby, do not (a) require any consent, waiver, approval, license, or authorization of any person, entity, or governmental or public authority which has not been obtained and is not presently in effect; (b) conflict with or violate any Legal Requirement applicable to Dignity Health as of the Effective Date; or (c) conflict with or result in a default under, or create any lien upon any of the property or assets of Dignity Health pursuant to, any agreement or instrument.

**5.2     Representations and Warranties of County.** County represents and warrants that the following are true:

**5.2.1** County has the full authority to enter into this Agreement and the signature of the County's authorized representative on this document represents that this Agreement has been duly authorized, executed and delivered by the Board as the governing body of County, and represents a legal, valid and binding agreement, enforceable against County in accordance with its terms.

**5.2.2** The execution, delivery and performance of this Agreement by County, and consummation by it of the transactions contemplated hereby, do not (a) require any consent, waiver, approval, license, or authorization of any person, entity or governmental or public authority which has not been obtained and is not presently in effect; (b) conflict with or violate any Legal Requirement applicable to County as of the Effective Date; or (c) to the Board's knowledge, conflict with or result in a default under, or create any lien upon any of the property or assets of County pursuant to, any agreement or instrument.

**Article VI**  
**OWNERSHIP OF INFORMATION; CONFIDENTIALITY**

**6.1     Ownership of Information.** All operating procedures, protocols, information systems, computer databases and other non-public proprietary business systems or information not uniquely pertaining to the Health System that are or were created or developed by Dignity Health, or obtained by Dignity Health from sources other than County (or on behalf of County) (collectively, "*Dignity Health's Proprietary Information*"), shall be the exclusive property of Dignity Health. Nothing contained in this Agreement shall be construed as a license or transfer of Dignity Health's Proprietary Information or any portion thereof, either during the Term or thereafter. Upon the termination of this Agreement, Dignity Health shall have the right to remove from the Health System and retain all of Dignity Health's Proprietary Information, and, upon

request, County and its affiliates will return to Dignity Health all of Dignity Health's Proprietary Information in its possession; provided that County and its affiliates shall have the right to retain (but not use) Dignity Health's Proprietary Information contained on any backup tapes or other media pursuant to automated archival processes in the ordinary course of business. Notwithstanding the foregoing, procedures, protocols and policies developed by Dignity Health for Health System, written reports concerning the Health System's operations, educational materials, regulatory analysis reports and other written documents delivered by Dignity Health to the Board during the Term of this Agreement in connection with the Services provided by Dignity Health pursuant to this Agreement shall not constitute Dignity Health's Proprietary Information and may be retained by County as its property during the Term and thereafter.

**6.2 Confidentiality.** Each Party agrees that it shall not, and shall cause its officers, directors, employees and agents to not, disclose any confidential or proprietary data, reports, or other information or materials concerning the other Party hereto including, without limitation, Dignity Health's Proprietary Information, without the prior written consent of the Party whose information is to be disclosed, except as otherwise required by applicable Legal Requirements. If a Party is required by Legal Requirements to disclose confidential information regarding the other Party, such disclosing Party agrees to provide the other Party with prompt written notice of such requirement in order to enable the other Party to seek an appropriate protective order or other remedy and/or to take reasonable steps to contest or narrow the scope of such requirement. If any Party is nonetheless, upon the written advice of its legal counsel, legally required or compelled to disclose any confidential information, such receiving Party may only disclose that portion of the confidential information that is legally required to be disclosed; provided that such receiving Party shall exercise reasonable best efforts to preserve the confidentiality of the confidential information, including by cooperating with the disclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the confidential information. Each Party shall notify the other Party immediately of any breach of these confidentiality requirements, and related facts. Promptly upon the termination of this Agreement, if requested, each Party shall return to the other Party originals and copies, whether in electronic or other medium, of all reports, records, memoranda, and other materials that contain proprietary information of the other Party; provided that each Party shall have the right to retain (but not use) proprietary information contained on any backup tapes or other media pursuant to automated archival processes in the ordinary course of business. Notwithstanding the return or retention of proprietary information, each Party will continue to be bound by its obligations of confidentiality under this Agreement.

**6.3 Public Announcements.** Except as otherwise provided herein, or as required by Legal Requirements, neither Party may disclose the terms of any agreement supplementing this Agreement, to any other person or entity, except by mutual written consent of the Parties. Without limiting the foregoing, neither Party, nor any officer, director, employee or agent of such Party (each a "*Restricted Party*"), shall issue any press release or make any public statement with respect to this Agreement, or any matter arising from this Agreement, or otherwise release, publish or make available to the public, in any manner whatsoever, any information or announcement regarding this Agreement, or its terms, without the prior written consent of the other Party. Each of the Parties hereto agree that in the event of any termination or threatened termination of this Agreement, they shall not disclose, or permit any of their respective Restricted Parties to disclose to anyone who is not a Party to this Agreement (or their respective legal counsel), any facts or circumstances related to such termination or threatened termination. The terms of this **Section 6.3**



shall not apply to (a) any disclosure required for the performance of a Party's obligations hereunder, (b) any disclosure of the existence or terms of this Agreement made in the notes to the audited financial statements of a party or its affiliates required to be made in accordance with generally accepted accounting principles as reasonably determined by the independent public accountants of such Party, (c) any such disclosure made in connection with any public or private securities offering, (d) any disclosure required to be made by applicable Legal Requirements or (e) any disclosure made in response to any court or administrative order or summons, subpoena or similar legal process except that, in each case, performance of such Party shall provide the other Party with reasonably prompt notice thereof, and such Party shall be permitted at its expense to seek a protective order or other appropriate remedy.

**6.4 Injunctive Relief.** The Parties agree that violations of this **Article VI** would result in irreparable harm, that money damages alone would not be a sufficient remedy and that, in addition to any other rights and remedies provided by law, a Party shall be entitled to injunctive relief and specific performance to enforce the other Party's obligations under this **Article VI**. Neither Party shall oppose the granting of such relief, and it shall waive, any requirement for the securing or posting of any bond in connection with such remedy. Equitable relief shall not be deemed to be the exclusive remedy for breach of this Agreement but shall be in addition to all other remedies available at law or in equity to such Party.

## **Article VII**

### **INSURANCE AND INDEMNIFICATION**

**7.1 Indemnification by County.** County shall defend, indemnify, save and hold harmless Dignity Health, its wholly owned or controlled affiliates, and their respective directors, officers, and employees (including, without limitation, the Executive Employees) (collectively, the "**Dignity Health Parties**") from and against any and all judgments, losses, claims, damages, liabilities, fines, penalties, costs and expenses (including reasonable attorneys' fees and expenses) ("**Losses**"), incurred by the Dignity Health Parties arising out of a claim or demand asserted by a third party arising out of the gross negligence, willful misconduct, or intentionally fraudulent acts or omissions of County, its wholly owned or controlled affiliates, or their respective directors, officers, or employees (collectively, the "**County Parties**") in connection with this Agreement.

**7.2 Indemnification by Dignity Health.** Dignity Health shall defend, indemnify, save and hold harmless the County Parties from and against any and all Losses incurred by the County Parties arising out of a claim or demand asserted by a third party arising out of the breach of Dignity Health's (but not the County's or its employees' or agents') obligations under **Exhibit C**, violation of Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**"), the Health Information Technology for Economic and Clinical Health Act (the "**HITECH Act**"), and regulations promulgated thereunder, and as may be amended from time to time (collectively the "**Privacy and Security Regulations**"), or the California Medical Information Act ("**CMLA**"), gross negligence, willful misconduct, or intentionally fraudulent acts or omissions of the Dignity Health Parties in connection with this Agreement.

**7.3 Conditions on Indemnification.** The obligations of an indemnifying party ("**Indemnitor**"), as set forth above, are conditioned upon (a) the indemnified party ("**Indemnitee**") within a reasonable time notifying Indemnitor of any claim, demand, action or cause of action, or any incident of which Indemnitee has actual knowledge, which may reasonably result in a Loss

for which Indemnitee will look to Indemnitor for indemnification, (b) Indemnitee, and its directors, officers, employees and representatives, reasonably cooperating with Indemnitor (at Indemnitor's expense) in Indemnitor's investigation and review of any such claim, demand, action or incident, and (c) Indemnitee not entering into any admissions, agreements or settlements which is reasonably likely to affect the rights of Indemnitor without the prior written consent and approval of Indemnitor. Notwithstanding the foregoing, the failure of the Indemnitee to notify the Indemnitor hereunder within a reasonable time will not relieve the Indemnitor of any liability with respect to the claim, demand, action or incident, except to the extent the Indemnitor is actually prejudiced by such failure. Indemnitor reserves the right, in its sole discretion and at its cost, to assume the defense of Indemnitee in any such claim, action or proceeding.

**7.4 Defense Costs.** Indemnitor shall have the right to employ counsel reasonably acceptable to Indemnitee in any such action and to participate in the defense thereof, with the fees and expenses of such counsel at the expense of Indemnitor. Indemnitee shall have the right but not the obligation to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of Indemnitee unless (a) employment of such counsel and payment of the fees and expenses thereof by Indemnitee has been specifically authorized in writing by Indemnitor, or (b) in the reasonable judgment of Indemnitee, employment of such counsel is necessary because the claim or defense for which such counsel is employed is inconsistent or in conflict with the claims or defenses of Indemnitor, or (c) Indemnitee shall have reasonably concluded that there may be claims or defenses available to it that are different from or in addition to those available to Indemnitor, in any of which events such fees and expenses shall be borne by Indemnitor, but in any such event, Indemnitor shall not have the right to direct the defense of such action on behalf of Indemnitee. Indemnitor shall not be liable for any settlement of any such action effected by Indemnitee without Indemnitor's consent, but if settled with the consent of Indemnitor or if there shall be a final judgment for the plaintiff in such action against Indemnitee or Indemnitor with or without the consent of Indemnitor, Indemnitor agrees to indemnify and hold harmless Indemnitee to the extent provided herein.

**7.5 Limitations of Liability and Claims.**

**7.5.1 Certain Damages.** Neither the Dignity Health Parties nor the County Parties shall have any liability to any County Party or Dignity Health Party, respectively, including, without limitation, pursuant to **Section 7.1** or **Section 7.2**, for any indirect, consequential, incidental, exemplary, special or punitive damages or costs of any nature whatsoever, except to the extent to which a third-party claim indemnified under **Section 7.1** or **Section 7.2** includes such Losses.

**7.5.2 Limitation of Liability.**

(a) Neither the Dignity Health Parties nor the County Parties will be liable to any County Party or Dignity Health Party, respectively, under **Section 7.1** or **Section 7.2** with respect to any single claim, or aggregated claims that are the subject of or arise out of the same or related facts, events or circumstances, unless the aggregate amount of Losses as a result of or arising from such single claim or aggregated claim exceeds Ten Thousand Dollars (\$10,000).

(b) The Dignity Health Parties shall have no liability for any Loss incurred by any County Party except to the extent such Loss is caused by the gross negligence, willful

misconduct, or intentionally fraudulent acts or omissions of one or more Dignity Health Parties or the breach or violation by the Dignity Health Parties of this Agreement or the Business Associate Agreement or any Legal Requirements. The County Parties shall have no liability for any Loss incurred by any Dignity Health Party except to the extent such Loss is caused by the gross negligence, willful misconduct, or intentionally fraudulent acts or omissions of one or more County Parties or the breach or violation by the County Parties of this Agreement or the Business Associate Agreement or any Legal Requirements.

(c) The cumulative liability of the Dignity Health Parties to the County Parties for any and all Losses, regardless of the form of action, arising out of or relating in any way to the Services or this Agreement shall not exceed the total Management Fees paid by County to Dignity Health through the effective date of termination of this Agreement (the “**Liability Cap**”); provided, however, that the Liability Cap shall not apply with respect to Losses arising out of or relating to Dignity Health’s (but not the County’s or its employees’ or agents’) violation of the Privacy and Security Regulations or the CMIA, or the gross negligence, willful misconduct or fraudulent actions or omissions of one or more Dignity Health Parties.

**7.5.3 Acknowledgment.** County acknowledges and agrees that (a) Dignity Health shall not incur any liability for any of the existing obligations, liabilities or debts of County or the Health System, (b) except as provided by **Section 7.2**, Dignity Health shall not assume or become liable for any of the future obligations, debts or liabilities of County or the Health System; (c) Dignity Health has not, and shall not be construed as having, committed capital or other financial resources to County or the Health System; and (d) Dignity Health shall have no liability whatsoever for the financial condition of the Health System at any time prior to, during, or after the Term. Dignity Health makes no warranty or guarantee regarding the ultimate success or performance of the Health System or the Services provided hereunder. For this reason, the County agrees that it shall not be entitled to seek indemnification pursuant to Section 8.2 or obtain any offset against amounts owed by the County to Dignity Health hereunder as a result of the Health System’s failure to meet Approved Budgets, incurrence of operating losses, or other similar financial performance losses incurred by the Health System unless such losses are the result of intentionally fraudulent acts or omissions of Dignity Health.

## **7.6 Insurance.**

**7.6.1** Each of the Parties shall, at its own cost and expense, procure, keep and maintain, throughout the Term of this Agreement, coverage through a commercial carrier or a self-coverage program in the minimum amounts of:

(a) One Million Dollars (\$1,000,000) per occurrence and One Million Dollars (\$1,000,000) annual aggregate for commercial general liability;

(b) One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) annual aggregate for professional liability;

(c) Five Million Dollars (\$5,000,000) per occurrence and Five Million Dollars (\$5,000,000) annual aggregate for directors’ and officers’ liability (shared annual aggregate limit with employment practices liability);

(d) Five Million Dollars (\$5,000,000) per occurrence and Five Million Dollars (\$5,000,000) annual aggregate for employment practices liability (shared annual aggregate limit with directors' and officers' liability);

(e) Five Million Dollars (\$5,000,000) in umbrella/excess liability; and

(f) Applicable state statutory limits for workers compensation.

**7.6.2** Dignity Health shall be named as an additional insured under the commercial general, professional, employment practices/directors' and officers', and umbrella policies of County. Coverage of Dignity Health as an additional insured shall be within the scope of coverage provided in the additional insured endorsements and shall be provided by the insurance carrier at no additional cost. County is the first named insured under the policies and maintains all rights under the policies. The rights of Dignity Health to invoke the protection of such policies are only as provided in the additional insured endorsement, and these policies shall not be terminable or non-renewable except upon thirty (30) days prior written notice to Dignity Health (or ten (10) days with respect to cancellation for non-payment). If such coverage is written on a claims-made form, following termination or expiration of this Agreement, at the election and cost and expense (if any) of Dignity Health, County shall (a) continue such coverage to survive with Dignity Health as an additional insured for the period of the applicable statute of limitations; or (b) provide an extended reporting endorsement (tail coverage) covering Dignity Health for claims arising during the Term, but not reported until after the termination or expiration of this Agreement. Should County change insurance companies during the Term, County shall maintain coverage which includes claims incurred but not reported under the prior coverage (prior acts coverage). In addition, County shall cause the Executive Employees to be named as individuals covered by the directors' and officers' insurance as duly appointed officers of County. Dignity Health shall provide a fidelity bond in the amount of \$1,000,000 covering the Executive Employees. No later than thirty (30) days following the Effective Date, and thirty (30) days following the end of each policy year, County shall provide Dignity Health a copy of the endorsements naming Dignity Health as an additional insured. It is the intention of the Parties that such insurance and bond shall protect County, Dignity Health and the Executive Employees and will be the primary insurance for any and all losses covered thereby, notwithstanding any insurance which may be maintained by Dignity Health or its affiliates (other than the fidelity bond covering the Executive Employees), covering any such loss. County hereby waives any right of contribution with respect to a loss covered under such policies (or their deductibles) against Dignity Health or its insurance carriers.

**7.6.3** By requiring coverage herein, the Parties do not represent that coverage and limits will necessarily be adequate to protect the Parties and such coverage and limits shall not be deemed as a limitation on a Party's liability under this Agreement.

## **Article VIII TERM AND TERMINATION**

**8.1** **Term.** The term of this Agreement will start on the Effective Date and will continue for a period of eighteen (18) months (the "***Initial Term***"), unless sooner terminated as provided herein. The Parties can mutually agree to extend the Initial Term to a period not to exceed ten (10) years from the Effective Date ("***Extended Initial Term***") contingent upon mutual agreement on a revised scope of Services during the Extended Initial Term and other appropriate

revisions to other provisions of this Agreement consistent with an Extended Initial Term and revised scope of Services. This Agreement may be renewed for such additional terms as mutually agreed to by the Parties. Hereinafter, the Initial Term, Extended Initial Term, and any renewal terms of this Agreement shall be referred to as the “**Term**.” If this Agreement commences on a date other than July 1 of any year, the initial period between the commencement date and June 30 of that year shall be considered a partial contract year, and each twelve (12) month period during the Term commencing on July 1 of the year in which the Agreement commences shall be referred to herein as a “**Contract Year**.”

## **8.2     Termination for Cause.**

**8.2.1     Bankruptcy.** Either Party may terminate this Agreement immediately in the event the other Party: files a petition commencing a voluntary case against it under the U.S. Bankruptcy Code; makes a general assignment for the benefits of its creditors; becomes insolvent; becomes unable to pay its debts as they become due; files a petition or answer in any proceeding seeking for itself or consenting to, or acquiescing in, any insolvency, receivership, composition, readjustment, liquidation, dissolution, or similar relief under any present or future statute, law or regulation, or files an answer or other pleading admitting or failing to deny or to contest the material allegations of the petition filed against it in any such proceeding; seeks or consents to, or acquiesces in, the appointment of any trustee, receiver of it or any material part of its property; or has commenced against it any involuntary case under the U.S. Bankruptcy Code or a proceeding under any receivership, composition, readjustment, liquidation, insolvency, dissolution, or like law or statute, which case or proceeding is not dismissed or vacated within sixty (60) days from commencement.

**8.2.2     Casualty.** In the event that the physical building housing the Hospital is destroyed, or is so damaged that the Board determines that County will not resume full operation within ninety (90) days after such casualty, then County may terminate this Agreement upon no less than thirty (30) days’ notice. For purposes of clarity, County may make such determination at any time after such casualty and shall not be required to delay termination until after the ninety (90) day period. Notwithstanding anything to the contrary contained herein, Dignity Health shall not be responsible for financing or capitalizing any rebuild or repair required in the event of a casualty.

**8.2.3     Breach or Default.** Except as otherwise provided in **Section 8.2.4** below, if a Party hereto (“**Defaulting Party**”) fails to perform any of its material obligations under this Agreement, the other Party (“**Non-Defaulting Party**”) may give the Defaulting Party a “**Notice of Default**.” The Notice of Default shall set forth the nature of the obligation that the Defaulting Party has not performed and shall be in writing. The Defaulting Party will have sixty (60) days to cure the default (the “**Cure Period**”). If the Defaulting Party does not cure the default within the Cure Period, the Non-Defaulting Party shall have the right to terminate this Agreement upon written notice to the Defaulting Party. A Party’s termination or failure to terminate this Agreement shall not waive any breach of this Agreement. Any actual waiver of any breach of this Agreement must be in writing and shall not constitute a waiver of any future breaches of this Agreement, whether of a similar or dissimilar nature.

**8.2.4     Non-Payment.** If County fails to make any payment (excluding amounts County has disputed in good faith) to Dignity Health hereunder within thirty (30) days following

Dignity Health's notice to County of non-payment, Dignity Health, among other rights and remedies pursuant to this Agreement or otherwise available at law or in equity, shall have the right to terminate this Agreement immediately upon written notice to County. Failure to terminate this Agreement shall not waive any breach of this Agreement or release Health System from any liability under this Agreement. Any actual waiver of any breach of this Agreement shall not constitute a waiver of any future breaches of this Agreement, whether of a similar or dissimilar nature.

**8.2.5 Excluded Provider.** Either Party may terminate this Agreement as set forth in **Section 11.13**.

**8.2.6 Legal Event.** Either Party may terminate this Agreement after following the procedures set forth in **Section 11.14.2** upon the occurrence of a Legal Event. Dignity Health may terminate this Agreement upon its determination that an action or actions by the County or the Board could threaten Dignity Health's standing within its institutional and organizational structure. County may terminate this Agreement upon its determination that an action or actions by Dignity Health could threaten County's ability to meet its statutory obligations to provide needed health services to County residents, including its ability to receive or retain its full allotment of state or federal funding for healthcare services.

**8.3 Transition Plan.** Except as otherwise provided herein, commencing at the earlier of (a) six (6) months prior to the scheduled date for the expiration of this Agreement or (b) the delivery by either Party of any notice of termination of this Agreement as permitted herein (or such other date as mutually agreed by the Parties) and continuing until the expiration or effective date of the termination of this Agreement, Dignity Health will continue to provide the Services to County, or at County's request to County's designee, and will cooperate with County as reasonably necessary to minimize the disruption associated with termination and transition operations to County or its designee. Notwithstanding the foregoing, in the event that this Agreement terminates pursuant to **Section 8.2.1** or **Section 8.2.2**, upon the request of County, Dignity Health shall continue to provide the Services for up to six (6) months following the effective date of such termination. Any continuation of the Services pursuant to this **Section 8.3** shall be in accordance with the terms and conditions of this Agreement, including payment by County of the Management Fee and other expenses to Dignity Health in accordance with the terms of **Exhibit B**.

**8.4 Effects of Termination.** In the event of the termination of this Agreement for any reason, Dignity Health shall immediately be paid all fees theretofore earned and reimbursed for all expenses incurred by Dignity Health in accordance with the terms of this Agreement. The termination of this Agreement for any reason shall be without prejudice to any payments or obligations which may have accrued or become due hereunder prior to the date of termination, or which may become due after such termination.

## **Article IX ALTERNATIVE DISPUTE RESOLUTION**

**9.1 Dispute Resolution Procedures.** If a dispute arises between the Parties relating to the Parties' respective obligations under this Agreement that cannot be resolved informally, the Parties agree to comply with the procedures set forth in this **Section 9.1** (the "***Dispute Resolution Procedures***"). The Dispute Resolution Procedures will be invoked by a Party, before such Party

pursues any other available remedy, by such Party giving written notice ("**Dispute Notice**") to the other Party describing with reasonable specificity the grounds for the dispute. Following receipt of such Dispute Notice, the Parties shall, for a period of thirty (30) days after the dispute first arises, attempt in good faith to negotiate a resolution of the dispute (the "**Initial Negotiation**"). The Initial Negotiation will include no less than two in-person meetings among authorized representatives of each Party, each of whom shall have authority from the respective boards of directors of the Parties to settle the matter. If the dispute is not resolved during the Initial Negotiation, the Parties shall, for an additional period of thirty (30) days after the end of the Initial Negotiation period, continue to attempt in good faith to negotiate a resolution of the dispute (the "**Extended Negotiation**"). The Extended Negotiation will include no less than two (2) in-person meetings between the Dignity Health Market CEO (or such other officer as may be designated by Dignity Health) and the CAO (or such other persons as may be designated by County). If a dispute is not resolved pursuant to the Dispute Resolution Procedures, a Party may proceed with any remedy available to it under this Agreement or under applicable Legal Requirements. This **Section 9.1** shall not apply to any breach or dispute to which a Party is entitled to seek injunctive relief under this Agreement.

## **Article X**

### **STRATEGIC OPPORTUNITIES**

**10.1 Right of First Refusal.** If, during the Term of this Agreement, County determines to partner, merge, lease, sell or otherwise effect a change of ownership or control of the Hospital (each an "**Integration Transaction**"), then County shall provide written notice (an "**Integration Notice**") to Dignity Health. The Integration Notice shall include an offer to enter into exclusive negotiations with Dignity Health with respect to an Integration Transaction that includes all real estate, furniture, fixtures and equipment, contracts, intangible property and all other assets comprising the Health System. The Parties shall negotiate actively and in good faith to reach a binding agreement with respect to an Integration Transaction, and the Parties will use commercially reasonable efforts to close the Integration Transaction within a period of six (6) months following the date of the Integration Notice. If no such Integration Transaction is closed with six (6) months after the date of the Integration Notice, then County may proceed to market and enter into an Integration Transaction with a third party pursuant to a process determined by the Board.

**10.2 Co-Marketing and Branding.** During any Extended Initial Term, Dignity Health and County will work together to promote the Health System and its relationship with Dignity Health using marketing and branding statements that recognize both Parties, as may be mutually agreed upon by the Parties. Such promotions may include oral and written press releases, commercials, public service messages, advertisements and/or other communications as mutually agreed and approved in advance by the Parties that co-market and brand Dignity Health's affiliation with County, which approval shall not be unreasonably withheld by either Party. Dignity Health and County acknowledge and agree that nothing contained in this **Section 10.2** shall obligate either Party to approve or support the release of any communication that may jeopardize its compliance with Legal Requirements or its tax-exempt status or obligate Dignity Health to approve or support any communication regarding the Services provided by Dignity Health that may jeopardize its compliance with the ERDs.

## **Article XI MISCELLANEOUS**

**11.1 Relationship of the Parties.** The Parties hereto intend by this Agreement solely to effect the provision of Services by Dignity Health as an independent contractor to County. No other relationship is intended to be created or is being created among the Parties hereto, and nothing in this Agreement shall be construed as making any Party hereto the employer or employee of any other, the joint venturer or partner of the other, or have the right to control or conduct the other's business in any manner, other than as is herein explicitly provided.

**11.2 Duty to Cooperate.** The Parties acknowledge that their mutual cooperation is critical to the ability of Dignity Health to perform its duties hereunder successfully and efficiently. Accordingly, each Party agrees to cooperate with the other fully in formulating and implementing the goals and objectives that are in the Health System's best interest.

**11.3 Further Documents.** The Parties do hereby covenant and agree that they and their successors and permitted assigns will execute any and all instruments, releases, assignments and consents which may reasonably be required of them in order to carry out the provisions of this Agreement.

**11.4 Effect on Successors; Survival.** This Agreement shall be binding upon, enforceable by, and inure to the benefit of, the Parties and their successors and permitted assigns. Notwithstanding anything herein to the contrary, the provisions **Section 4.1 - County Responsibility for Management Fee; Article V- Representation and Warranties of Parties; Article VI- Ownership of Information, Confidentiality; Article VII - Insurance and Indemnification; Article VIII - Term and Termination; Article IX - Alternative Dispute Resolution; Section 11.2 - Duty to Cooperate; Section 11.3 - Further Documents; this Section 11.4 - Effect on Successors; Survival; Section 11.5 - Governing Law; Section 11.6 - Notices; Section 11.7 - Waiver; Section 11.8 - Enforceability; Severability; Section 11.9 - Headings; Gender; Interpretation; Section 11.10 - Access to Books and Records; Section 11.17 - Binding Effect and Assignment; and Section 11.18 - Construction** shall survive the early termination of this Agreement.

**11.5 Governing Law.** This Agreement shall be governed by and construed, interpreted and enforced pursuant the laws of the State of California.

**11.6 Notices.** All notices under this Agreement by any Party to the other shall be in writing. All notices, demands and requests shall be deemed to be delivered if given upon the earlier of (a) actual delivery to the intended recipient or its agent, or (b) three (3) days after deposit in the United States Mail, postage prepaid, registered or certified mail, return receipt requested, or (c) one (1) business day after deposit if sent by prepaid nationally recognized overnight delivery service, in each case addressed to the receiving Party at the address listed below (or any other address designated by the receiving Party in a notice delivered to the other Party in accordance with this **Section 11.6**):



To Dignity Health: Dignity Health  
St. Joseph's Medical Center  
1800 N. California Street  
Stockton, CA 95204  
Attn: Donald J. Wiley, President and CEO

With copy to: Polsinelli PC  
900 West 48<sup>th</sup> Place, Suite 900  
Kansas City, Missouri 64112-1895  
Attn: Frank J. Ross, Jr., Esq.

And

CommonSpirit Health  
198 Inverness Drive West  
Englewood, Colorado 80112  
Attn: Mitch Melfi, Senior Executive Vice-President  
and Chief Legal Officer

To Health System: San Joaquin General Hospital  
San Joaquin County  
44 North San Joaquin Street  
Sixth Floor, Suite 640  
Stockton, CA 95202  
Attn: Jerome C. Wilverding, County Administrator

With copy to: San Joaquin County  
Office of the County Counsel  
44 North San Joaquin Street  
Sixth Floor, Suite 679  
Attn: James M. Myles, County Counsel

**11.7 Waiver.** The failure of any Party to exercise any right or enforce any remedy contained in this Agreement shall not operate as or be construed to be a waiver or relinquishment of the exercise of such right or remedy, or of any other right or remedy herein contained.

**11.8 Enforceability; Severability.** The invalidity or unenforceability of any term or provision of this Agreement shall not, unless otherwise specified, affect the validity or enforceability of any other term or provision, which shall remain in full force and effect.

**11.9 Headings; Gender; Interpretation.** The headings and other captions contained in this Agreement are for convenience of reference only and shall not be used in interpreting, construing or enforcing any of the provisions of this Agreement. Whenever the context requires, the gender of all words used herein shall include the masculine, feminine and neuter, and the number of all words shall include the singular and plural.

**11.10 Access to Books and Records.** Until the expiration of four (4) years after the furnishing of Services pursuant to this Agreement, the Parties shall, upon written request, make

available to the Secretary of Health and Human Services (the “**Secretary**”) or the Comptroller General, or their duly authorized representative(s), the contract, books, documents and records necessary to verify the nature and extent of the cost of such Services. If any Party carries out any of its obligations under this Agreement by means of a subcontract with a value of ten thousand dollars (\$10,000) or more, that Party agrees to include this requirement in any such subcontract. The availability of Dignity Health’s books, documents and records shall be subject at all times to all applicable legal requirements including, without limitation, such criteria and procedures for seeking and obtaining access that may be promulgated by the Secretary by regulation. Neither Party shall be construed to have waived any applicable attorney-client privilege by virtue of this **Section 11.10**.

**11.11 Counterpart Signature.** This Agreement may be executed in one (1) or more counterparts (facsimile transmission or otherwise), each of which shall be deemed an original Agreement and all of which shall constitute but one Agreement.

**11.12 Compliance with Laws.** In performing their respective duties hereunder, the Parties shall conduct themselves in full accordance with all applicable Legal Requirements including, without limitation, the federal physician self-referral law (42 U.S.C. § 1395nn et seq.) and the anti-fraud and abuse provisions of the Social Security Act (42 U.S.C. § 1320a-7 et seq.). Nothing in this Agreement shall require either Party to arrange for or send patients to the other Party or to the other Party’s affiliated hospitals or providers. For purposes of this Agreement: “**Legal Requirements**” means all federal, state and county statutes, ordinances, bylaws, codes, rules, regulations, policies, manuals, advisory opinions, official guidance and interpretations, conditions of participation, local coverage determinations and national coverage determinations of any governmental authority, and any restrictions, judgments, orders, writs, injunctions, decrees, determinations, or awards of any governmental authority having jurisdiction over such Party or the business of such Party.

**11.13 Excluded Provider.** Each Party represents and warrants that it and its employees and agents providing services under this Agreement is not now and at no time has it been excluded or debarred from participation in any state or federally funded health care program, including Medicare and Medicaid (collectively referred to as “**governmental health care program**”), and there is no action, investigation or proceeding reasonably likely to result in any such exclusion or debarment. Each Party agrees to immediately notify the other Party of any threatened, proposed, or actual exclusion of it, or its employees or agents providing services hereunder, from participation in any governmental health care program during the term of this Agreement. Notwithstanding anything to the contrary contained herein, in the event that a Party is excluded or debarred from participating in any governmental health care program during the term of this Agreement, or if at any time after the Effective Date, it is determined that a Party is in breach of this Section, this Agreement shall, as of the effective date of such exclusion or breach, automatically terminate. Each Party agrees to indemnify and hold the other Party harmless against all actions, claims, demands and liabilities, and against all loss, damage, costs and expenses, including reasonable attorneys’ fees, arising directly or indirectly out of any violation of this Section by it or due to its exclusion from a governmental health care program.

#### **11.14 Changes in Law.**

**11.14.1 Legal Event; Consequences.** Notwithstanding any other provision of this Agreement, if (a) the Internal Revenue Service, or any of the governmental agencies that administer the Medicare, Medicaid or other federally funded programs (or their representatives or agents), or any other federal, state or local governmental or nongovernmental agency, or any court or administrative tribunal passes, issues or promulgates any final law, rule, regulation, standard, interpretation, order, opinion, decision or judgment including, without limitation, those relating to any regulations determining tax exempt status or eligibility for participation in Medicare, Medi-Cal (including but not limited to loss of designation as a Medi-Cal Designated Public Hospital or Designated Public Health System or public entity or agency) or other governmental health programs, or relating to California realignment or other state funding determinations, which in the good faith judgment of one Party ("**Noticing Party**") (i) materially and adversely affects the Noticing Party's tax-exempt or public entity status, as applicable, of any of the Noticing Party's financing or tax status, licensure, accreditation, certification or ability to bill, to claim, to present a bill or claim or to receive payment or reimbursement from, or to provide public funds to or certify public expenditures for, any federal, state or local governmental or non-governmental payor or other entity or funding source, or (ii) subjects the Noticing Party to a risk of prosecution or civil monetary penalty, or other funding repayment recoupment or reduction, or (iii) is a rule or regulation with which the Noticing Party desires further compliance, ((i), (ii) or (iii) collectively or individually, a "**Legal Event**") or (b) upon the reasonable advice of counsel to either Party any term or provision of this Agreement is likely to trigger a Legal Event, then Noticing Party may give the other Party written notice requesting commencement of the Renegotiation Period, as defined in **Section 11.14.2**.

**11.14.2 Renegotiation Period; Termination.** In the event of notice under **Section 11.14.1** above, the Parties shall negotiate in good faith for a period of sixty (60) days from the giving of such notice ("**Renegotiation Period**") to attempt to amend the Agreement to resolve the Legal Event in a manner that preserves, to the maximum extent possible, the benefits and rights and obligations of the Parties pursuant to this Agreement. If this Agreement is not so amended within the Renegotiation Period, this Agreement shall terminate as of midnight on the sixtieth (60<sup>th</sup>) day after said notice was given. Except as otherwise required by applicable law, any amounts owing to either Party hereunder shall be paid, on a pro rata basis, up to the date of such termination, and any obligation hereunder that is to continue beyond termination shall so continue pursuant to its terms. All written advice of counsel presented by the Noticing Party hereunder, and any corresponding written advice of counsel given by the other Party in response, shall be deemed confidential and given solely for purposes of renegotiation and settlement of a potential dispute, and shall not be deemed disclosed so as to waive any privileges otherwise applicable to said advice.

**11.15 Compliance Program.** County represents that it has developed and implemented a compliance program for the Health System ("**Compliance Program**"). County will maintain, update and abide by the terms of its Compliance Program during the Term. County will provide Dignity Health with a report from time to time, but no less often than annually, on the status of its Compliance Program. County agrees that it shall appoint one of the Executive Employees (or such other person agreed to by the CAO and Dignity Health) to serve as the Health System's compliance officer. Dignity Health agrees to comply with the requirements of the Compliance Program in carrying out its duties under this Agreement, to bring items of potential noncompliance to the

attention of the Board when actually discovered by Dignity Health (and of which Dignity Health has actual notice) and, at the direction of the Board, to take corrective action prescribed by the Board once any item of noncompliance is identified; provided that the costs (including, without limitation, legal and consulting fees and expenses incurred in undertaking any corrective action) required to develop, implement, update and maintain the Compliance Program shall be the sole responsibility of County. The Board shall have sole authority regarding the resolution and reporting of any compliance issue relating to County. County acknowledges and agrees that nothing set forth in this Section shall inhibit Dignity Health or its employees, including the Executive Employees, from making any disclosure required by applicable Legal Requirements, provided that Dignity Health discloses the matter to the Board and provides the Board with the first opportunity to make such disclosure.

**11.16 HIPAA and Business Associate Agreement.** The Parties hereby acknowledge and agree to comply with the Business Associate Agreement attached hereto as **Exhibit C**, which is part of this Agreement and incorporated herein by this reference, to evidence their compliance with privacy standards adopted by the U.S. Department of Health and Human Services as they may be amended from time to time, 45 C.F.R. parts 160 and 164, subparts A, D and E, the security standards adopted by the U.S. Department of Health and Human Services as they may be amended from time to time, 45 C.F.R. parts 160, 162 and 164, subpart C, and the requirements of Title XIII, Subtitle D of the Health Information Technology for Economic and Clinical Health (HITECH) Act, California Welfare and Institutions Code Section 5238, and the California Medical Information Act, as well as any other applicable state confidentiality laws.

**11.17 Binding Effect and Assignment.** This Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto, and their permitted assigns or successors in interest; provided that, except as otherwise set forth in **Section 1.1**, the rights and obligations of each Party under this Agreement shall not be assigned to any third-party without the prior, written consent of the other Party.

**11.18 Construction.** This Agreement and any documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the person who drafted the same. Each and every provision shall be construed as though both Parties participated equally in drafting the same. The Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting Party shall be applicable either to this Agreement or such other documents and instruments.

**11.19 Attorneys' Fees.** In the event that an attorney is employed by either Party with regards to any legal action, arbitration, or other proceeding for the enforcement of this Agreement, then the prevailing party in such proceeding, whether at trial or upon appeal, and in addition to any other relief to which it may be granted, shall be entitled to recover from the other Party all costs, expenses, and a reasonable sum for attorneys' fees incurred in bringing such action, arbitration, or proceeding, and in enforcing any judgment granted therein, whether or not such action is prosecuted to judgment. Any judgment or order entered in such matter shall contain a specific provision providing for the recovery of reasonable attorneys' fees, costs, and expenses incurred in enforcing such judgment by the prevailing party. Notwithstanding any provision of this Agreement to the contrary, any fees awarded pursuant to this **Section 11.19** shall be subject to the liability limitations set forth in **Section 7.5.2**.

**11.20 Entire Agreement.** This Agreement, including all Exhibits and Schedules attached hereto, contains the entire final, exclusive, and fully integrated agreement among the Parties relating to the subject matter of this Agreement and hereby supersedes all prior or contemporaneous negotiations, understandings, or agreements between the Parties, written or oral, with respect to the subject matter hereof. Except as otherwise provided herein, the terms of this Agreement may be modified or amended only by written agreement of the Parties.

*[Remainder of this page is intentionally left blank. Signature page follows.]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers as of the Effective Date.

**DIGNITY HEALTH**

By: \_\_\_\_\_  
Marvin O'Quinn, President

**SAN JOAQUIN COUNTY ON BEHALF OF  
SAN JOAQUIN GENERAL HOSPITAL**

By: \_\_\_\_\_  
Charles Winn, Chair of Board of Supervisors

APPROVED AS TO FORM:

ATTEST: RACHEL DeBORD  
Clerk of the Board of Supervisors  
of the County of San Joaquin  
State of California

By \_\_\_\_\_  
QUENDRITH MACEDO  
Deputy County Counsel

By \_\_\_\_\_  
Deputy Clerk

## **EXHIBIT A**

### **COUNTY RETAINED SERVICES**

All services other than the Services described in Section 3.1 and Schedule 3.1 including, without limitation, the following:

1. Any services currently provided by the County, a County department, County employees or agents that are not specifically delegated to Dignity as Services provided under this Agreement, including but not limited to ensuring that there will be no reduction in access to reproductive health services, and related services, which are currently available in Health System facilities.
2. Federally Qualified Health Center Services provided by County clinics.
3. County Public Health services provided in Health System facilities.
4. Responsibility for groundskeeping and building maintenance of Health System facilities
5. Legal services provided to the Health System by County Counsel
6. Information Technology
7. Human Resources
8. Risk Management

**EXHIBIT B**  
**COMPENSATION**

1. **Management Fee.** In consideration for the Services to be provided by Dignity Health to County hereunder, and in addition to any other amounts payable to, or reimbursable to, Dignity Health, County shall pay Dignity Health a management fee (the “*Management Fee*”) as set forth in **Schedule 3.1.1.**

2. **Payment Timing.**

2.1 **Management Fee.** County shall pay the Management Fee to Dignity Health in equal monthly installments.

2.2 **Acknowledgement of Scope of Management Fee.** Payment of the Management Fee represents the Parties' negotiated agreement as to the reasonable fair market value of the Services furnished by Dignity Health pursuant to this Agreement, considering the scope and nature of the Services required. The Management Fee shall cover all of Dignity Health's expenses and shall be Dignity Health's sole compensation and remuneration for its Services hereunder, including, without limitation, all costs and expenses of the Dignity Health Leadership. It is specifically acknowledged and agreed by the parties that Dignity Health shall not be entitled to be reimbursed for any corporate overhead or other indirect expenses incurred by Dignity Health in providing Services pursuant to this Agreement. None of Dignity Health's expenses shall be billed to or separately paid by County, except as expressly permitted by this **Exhibit B** and **Schedule 3.1** below or as payment of or reimbursement for any additional services agreed to by County pursuant to this Agreement. County shall take all necessary steps to initiate and authorize payment of the Management Fee through wire transfer of each monthly installment to Dignity Health's account pursuant to wire transfer instructions provided by Dignity Health. Such automatic withdrawal and transfer shall occur before the first (1st) day of each month for Services to be rendered during the upcoming month.

3. **Travel Expenses.** County agrees to reimburse Dignity Health for any and all travel-related expenses incurred in a manner consistent with past practices by the Executive Employees (to the extent not paid directly by County) in connection with providing Services to the Health System and consistent with Dignity Health travel and expense policies in effect from time to time. Travel-related expenses will be invoiced to County, and County agrees to pay all invoices for travel-related expenses within thirty (30) days of its receipt of any Dignity Health invoice. Travel-related expenses will include transportation, lodging and meal expenses incurred in accordance with applicable County expense-reimbursement policies. Notwithstanding the foregoing, Dignity Health acknowledges and agrees that, from time to time, it may require the Executive Employees to travel for such things as training or leadership development programs, and, to the extent that these programs are not consistent with the past practices of County, Dignity Health shall be responsible for the travel expenses incurred in conjunction with such programs.

4. **Reimbursement of Executive Employee Costs.** Executive Employees shall be paid a salary or hourly wage by Dignity Health and, in addition thereto, shall receive benefits from Dignity Health in accordance with Dignity Health's then standard policies (such as health



insurance, disability insurance, life insurance, and retirement plans). In addition to the Management Fee, Health System shall, on Dignity Health's payroll date, pay Dignity Health an amount equal to Executive Employee Costs. The term "***Executive Employee Costs***" means the aggregate sum of the following amounts with respect to the salary and benefits of each Executive Employee: (i) the salary of the Executive Employee (consisting of his or her base salary and incentive compensation) approved in advance by the Board; plus (ii) an assessment for benefits equal to 25% of the Executive Employee's salary ("***Benefit Assessment***"); plus (iii) Dignity Health's actual costs for statutory benefits related to its provision of the Executive Employees, such as payroll taxes.

**5. Late Payments.** Each Party shall pay the other interest on all payments hereunder that are not paid within thirty (30) days of the payment due date, other than amounts disputed in good faith by a Party. Interest on undisputed amounts shall accrue beginning thirty (30) days after the date the original payment was due at a rate one percent (1%) per month, or the maximum amount permitted by law, whichever is less, until the payment is made in full.

## **EXHIBIT C**

### **BUSINESS ASSOCIATE AGREEMENT**

This Business Associate Agreement ("Agreement") is made and entered into effective as of the July 1, 2022 (the "Effective Date"), by and between, San Joaquin County on behalf of San Joaquin General Hospital ("Covered Entity") and Dignity Health, a California nonprofit public benefit corporation ("Business Associate").

#### **RECITALS**

**WHEREAS**, the parties have entered, or may in the near future enter, into a business relationship whether by contract, commercial course of dealing, or otherwise (the "Service Agreement"), whereby Business Associate provides services to Covered Entity and Business Associate receives, has access to, creates, maintains, or transmits Protected Health Information in order to provide those services; and

**WHEREAS**, Covered Entity and Business Associate intend to protect the privacy and provide for the security of Protected Health Information disclosed to Business Associate in compliance with the Health Insurance Portability and Accountability Act of 1996, ("HIP AA"), the Health Information Technology for Economic and Clinical Health Act, (the "HITECH Act"), and regulations promulgated thereunder, and as may be amended from time to time (collectively the "Privacy and Security Regulations"), and other applicable laws; and

**WHEREAS**, Covered Entity and Business Associate are required to enter into a contract containing specific requirements as set forth in the Privacy and Security Regulations;

**NOW, THEREFORE**, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

#### **1.0. Definitions**

All capitalized terms used in this Agreement shall have the meanings ascribed to them in this Agreement (including this Section 1), or if not defined in this Agreement, then such terms shall have the meanings ascribed to them in the Privacy and Security Regulations: Breach, Data Aggregation, Designated Record Set, Health Care Operations, Individual, Minimum Necessary, Notice of Privacy Practices, Privacy Rule, Required by Law, Secretary, Security Incident, Security Rule, Subcontractor, Unsecured Protected Health Information, and Use.

1.1. "Disclose" and "Disclosure" mean, with respect to protected health information, the release, transfer, provision of access to, or divulging in any other manner of Protected Health Information outside Business Associate's internal operations.

1.2. "Electronic Protected Health Information or Electronic PHI" means Protected Health Information that is transmitted by electronic media (as defined by the Privacy and Security Regulations) or is maintained in electronic media.

1.3. "Protected Health Information" or "PHI" means Protected Health Information, including demographic information, that (i) relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual, or the past, present, or future payment for the provision of health care to an individual; (ii) identifies the individual (or for which there is a reasonable basis for believing that the information can be used to identify the individual); and (iii) is received by Business Associate from or on behalf of Covered Entity, or is created by Business Associate, or is made accessible to Business Associate by Covered Entity. PHI includes, without limitation, Electronic PHI.

1.4. "Services" means those activities, functions, or services that Business Associate provides for, or on behalf of Covered Entity.

## **2.0. Obligations and Activities of Business Associate**

2.1 Business Associate shall not Use or further Disclose PHI other than as permitted or required by this Agreement or as Required by Law. Business Associate shall Use and Disclose PHI in the amount Minimum Necessary to perform the Services for or on behalf of Covered Entity, provided that such Use or Disclosure would not violate the Privacy and Security Regulations if done by Covered Entity.

2.2 Business Associate shall implement and maintain appropriate safeguards to prevent any Use or Disclosure for purposes other than those permitted by this Agreement, including administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of PHI and Electronic PHI that it creates, receives, maintains, or transmits on behalf of Covered Entity.

2.3 Business Associate shall maintain policies and procedures, conduct ongoing risk assessment and risk management of its security program, identify a security official, train and discipline its work force in compliance with the relevant portions of the Privacy and Security Regulations.

2.4 Business Associate shall not directly or indirectly receive remuneration in exchange for any of Covered Entity's PHI unless Covered Entity or Business Associate obtain a valid, signed authorization from the Individual whose PHI is at issue and that specifies whether the PHI can be further exchanged for remuneration by the entity receiving the PHI, except as otherwise permitted by the Privacy and Security Regulations.

2.5 Business Associate shall report to Covered Entity any Use or Disclosure of PHI not provided for by this Agreement of which it becomes aware, including Security Incidents and Breaches of Unsecured Protected Health Information, as required by the Privacy and Security Regulations by notifying Covered Entity by telephone within ten (10) business days of which Business Associate knows of such Breach, Unauthorized Use or Disclosure, or Security Incident and shall provide a written report to Covered Entity within five (5) business days of verbal notice.

2.6 Business Associate shall mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of PHI by Business Associate in violation of the Privacy and Security Regulations.

2.7 Business Associate agrees to ensure that its Subcontractors and agents shall implement reasonable and appropriate safeguards to protect Covered Entity's PHI. Business Associate agrees to ensure that any Subcontractors and agents that create, receive, maintain, or transmit PHI on behalf of Business Associate agree in writing to substantially similar restrictions and conditions that apply through this Agreement to Business Associate with respect to such information.

2.8 Within a reasonable time and in a reasonable manner, Business Associate shall make available to Covered Entity (or to an Individual if so directed by Covered Entity) PHI maintained by Business Associate in a Designated Record Set in accordance with the requirements set forth in 164.524 of the Privacy Regulations. If Business Associate uses or maintains Electronic PHI, Business Associate must provide access in an electronic format if so requested by an Individual or

Covered Entity if the PHI is readily producible in such form; or if not, in a readable copy form or such other form and format as agreed by the Individual, Covered Entity, and Business Associate.

2.9 Within a reasonable time and in a reasonable manner, Business Associate shall make any amendment(s) to PHI maintained by Business Associate in a Designated Record Set that Covered Entity directs or agrees to at the request of an Individual in accordance with the requirements set forth in 164.526 of the Privacy Regulations.

2.10 Business Associate shall make its internal practices, books and records relating to the Use and Disclosure of PHI available to the Secretary for purposes of the Secretary determining Business Associate's or Covered Entity's compliance with the Privacy Regulations.

2.11 Business Associate agrees to document Disclosures of PHI and information related to such Disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of Disclosures of PHI in accordance with the Privacy Regulations. Upon Covered Entity's request, Business Associate shall provide to Covered Entity an accounting of each Disclosure of PHI made by Business Associate or its employees, agents, representatives, or Subcontractors.

2.12 Business Associate will comply with the applicable requirements of the Security Regulations as well as other applicable requirements of HIPAA (CFR 45) and CFR 42, California Welfare and Institutions Code Section 5238, and the California Medical Information Act.

2.13 To the extent Business Associate is to carry out Covered Entity's obligations under the Privacy Rule, Business Associate will comply with the requirements of the Privacy Rule that apply to Covered Entity's compliance with such obligations.

### **3.0 Permitted Uses and Disclosures by Business Associate**

Except as limited in this Agreement, Business Associate may Use and Disclose PHI as necessary to perform its obligations under the Services Agreement and/or as otherwise authorized by Covered Entity. In addition, Business Associate may:

3.1 Use PHI for the proper management and administration of Business Associate and/or to carry out the legal responsibilities of Business Associate;

3.2 Disclose PHI for the purposes described in Section 3.1 only if: (a) the Disclosure is Required by Law; or (b) Business Associate obtains reasonable assurances from the person to whom the PHI is disclosed that it will: (i) be held confidentially and Used or further Disclosed only as Required by Law or for the purpose for which it was Disclosed to the person; and (ii) notify Business Associate of any instances of which it is aware in which the confidentiality of the PHI has been breached; and

3.3 De-identify PHI and provide Data Aggregation services to Covered Entity consistent with the Privacy and Security Regulations.

### **4.0 Agreements and Obligations of Covered Entity**

4.1 Covered Entity shall provide Business Associate with any changes in, or revocations of, any permission or authorization by an Individual to Use or Disclose PHI, if such changes will affect Business Associate's permitted or required Uses or Disclosures.

4.2 Covered Entity shall notify Business of any restrictions on the Use or Disclosure of PHI that Covered Entity has agreed to in accordance with 164.522 of the Privacy and Security Regulations, if such restrictions will affect Business Associate's permitted or required Uses or Disclosures.

4.3 Covered Entity shall notify Business Associate of any limitations in Covered Entity's notice of privacy practices to the extent that such limitation may affect Business Associate's Use or Disclosure of PHI;

4.4 If Business Associate is required to amend PHI in a Designated Record Set as described in Section 2.9 of this Agreement, Covered Entity promptly shall provide to Business Associate appropriate instructions and information necessary to enable Business Associate to implement such amendments.

#### **5.0 Permissible Requests**

Covered Entity shall not ask Business Associate to Use or Disclose PHI in any manner that would not be permissible under the Privacy and Security Regulations if done by Covered Entity.

#### **6.0 Termination**

6.1 Covered Entity may terminate this Agreement upon material breach of this Agreement. Covered Entity will provide Business Associate with written notice of the breach of this Agreement and afford Business Associate the opportunity to cure the breach to the satisfaction of Covered Entity within thirty (30) days of the date of such notice. If Business Associate fails to timely cure the breach, as determined by Covered Entity in its sole discretion, Covered Entity may terminate this Agreement.

6.2 Upon termination or expiration of this Agreement, Business Associate shall either return or destroy, in Covered Entity's sole discretion and in accordance with any instructions by Covered Entity, all PHI in the possession or control of Business Associate or its agents and Subcontractors. However, if either return or destruction of PHI is not feasible, Business Associate may retain PHI provided that Business Associate (a) continues to comply with the provisions of this Agreement for as long as it retains PHI, and (b) limits further Uses and Disclosures of PHI to those purposes that make the return or destruction of PHI infeasible.

**7.0. Notices** Any notice required under this Agreement to be given to a party shall be made to:

**If to Business Associate:**

Dignity Health  
St. Joseph's Medical Center  
1800 N. California Street  
Stockton, CA 95204  
Attn: Donald J. Wiley, President and CEO

**If to Covered Entity:**

San Joaquin General Hospital  
San Joaquin County  
44 North San Joaquin Street  
Sixth Floor, Suite 640  
Stockton, CA 95202  
Attn: Jerome C. Wilverding, County Administrator

**8.0. Miscellaneous**

8.1 Mitigation and Cooperation. Business Associate shall mitigate, at Business Associate's sole cost and expense, any harmful effect that is known to it for the Breach, or Use, or Disclosure of PHI in violation of this Agreement. Covered Entity shall be solely responsible, based upon the facts of the Breach Business Associate provides to Covered Entity, to conduct a risk assessment to determine whether PHI has been compromised and notification to individuals is required. Business Associate shall cooperate with Covered Entity in the notification of individuals in the manner as set forth in the Privacy and Security Regulations.

8.2 Remedies in Event of Breach of PHI. In the event of a Breach of PHI, Covered Entity shall be entitled to enjoin and restrain Business Associate from any continued violation of this Agreement.

8.3 Document Retention. Business Associate shall maintain all documentation required by the Privacy and Security Regulations for a period of six (6) years.

8.4 Conflict. In the event there is a conflict between the language of this Agreement and the underlying Services Agreement between the parties, the terms and conditions of this Agreement shall control.

8.5 No Third-Party Beneficiaries. There are no third-party beneficiaries to this Agreement.

8.6 Independent Contractor. Covered Entity and Business Associate expressly acknowledge and agree that Business Associate is an independent contractor and shall not for any purpose be deemed to be an agent, employee, servant, partner, or joint venture of Covered Entity.

8.7 Regulatory References. Any reference made herein to any provision of law or regulation shall be a reference to such section as in effect and as the same may be amended from time to time.

8.8 Amendment. This Agreement may not be amended except by a writing signed by both parties hereto. Both parties hereto agree that this Agreement shall be amended to comply with any and all state or federal laws rules, or regulations, including without limitation any future laws, rules or regulations.

8.9 Interpretation. Any ambiguity in this Agreement shall be resolved to permit the parties hereto to comply with the Privacy Rules.

8.10 Severability. In the event that any provision of this Agreement is adjudged by any court of competent jurisdiction to be void or unenforceable, all remaining provisions hereof shall continue to be binding on the parties hereto with the same force and effect as though such void or unenforceable provision had been deleted.

8.11 Waiver. No failure or delay in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other further exercise thereof or the exercise of any other right, power or remedy. The rights provided hereunder are cumulative and not exclusive of any rights provided by law.

8.12 Entire Agreement. This Agreement and the Service Agreements constitute the entire agreement between the parties hereto relating to the subject matter hereof, and supersede any prior or contemporaneous verbal or written agreements, communications and representations relating to the subject matter hereof.

8.13 Counterparts, Facsimile. This Agreement may be signed in two or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument. A copy of this Agreement bearing a facsimile signature shall be deemed to be an original.

*[Remainder of Page Intentionally Left Blank. Signature Page to Follow]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date stated above.

**Covered Entity:**

San Joaquin County on behalf of  
San Joaquin General Hospital

By: \_\_\_\_\_  
Charles Winn,  
Chair of Board of Supervisors

**Business Associate:**

Dignity Health

By: \_\_\_\_\_  
Marvin O'Quinn, President



## **SCHEDULE 1.2**

### **BOARD RESERVED POWERS**

Except for powers expressly delegated to Dignity Health in this Agreement, the Board retains all powers, roles, and responsibilities with respect to County that it currently has, that it has pursuant to Legal Requirements, and that it needs to have in order to maintain Designated Public Hospital or Designated Public Health System status for County's Hospital and other Health System facilities, and their associated ability to receive and provide public funds or to certify public expenditures for Medicaid financing purposes.. Such powers shall include, but are not necessarily limited to:

1. County will continue to own and operate the Hospital and other Health System facilities.
2. County Board will continue to serve as the Governing Body of the Hospital and, as appropriate, any other Health System programs and services which require a Governing Body, for purposes including but not limited to licensure, accreditation, and the rules and requirements of Medicare, Medi-Cal and other third party reimbursement programs.
3. County shall have final approval over the Health System's annual operating and capital budgets.
4. County shall continue to employ all Health System employees, except for Executive Employees as specified in the Agreement, and will continue to be responsible for collective bargaining on behalf of represented employees, as well as all final decisions concerning recruiting, hiring, termination, and compensation and benefit levels of Health System employees.
5. County shall retain responsibility for the negotiation of all managed care contracts involving the Hospital.
6. Consistent with applicable laws, regulations and contractual obligations, County shall make all final decisions concerning the reduction, retention and expansion of the patient care services provided by the Health System.
7. To the extent any advice, recommendations or services provided by Dignity Health under this agreement are determined to result in changes within the scope of representation for represented employees, County will retain the obligation to provide the labor unions representing such employees with the opportunity to meet and confer with County as required by law, in advance of such changes.

### SCHEDULE 3.1.1 SCHEDULE OF SERVICES

The Services shall include the oversight and supervision of all services necessary to advise and assist County in the day-to-day operation of the Health System, including, without limitation, the services set out in this schedule

- I. **Scope of Select Management Services.** Dignity Health shall provide the following discrete set of services to County (all subject to antitrust guidelines):
  - a. With respect to financial operations management, Dignity Health agrees to provide a range of services, including but not necessarily limited to the following:
    - i. Oversight and management support of revenue cycle management and performance improvement plan, review and consult on revenue cycle metrics, evaluate data on critical performance indicators (e.g. recoverable A/R, denial prevention, point of service collections, late charges), establish clinical documentation improvement and/or revenue integrity program, provide transition after Huron engagement to capture and sustain operational improvements, including continuation and support for revenue cycle dashboard and key performance indicators agreed upon by both parties.
    - ii. Coordination and alignment with Dignity Health financial leadership, including participation in any regularly held CFO conferences or related meetings, consistent participation of CFOs of other Dignity Health Hospitals,
    - iii. Access to financial performance monitoring tools and templates, including protocols for performance benchmarking and ranking comparisons, and budgeting tools, templates, and systems, including service line level budgeting,
    - iv. Assessment and consulting on DPH supplemental funding data submissions to maximize all potential revenue sources, and
    - v. Consulting and advising in the developing and implementing, as appropriate, of capital plans for County, including the provision of capital allocation planning tools and templates.
  - b. Support for recruiting, retention, and training of leadership positions (which may include Dignity Health employment of the CEO, CFO, CNE, COO and CMO), including making available Dignity Health's full range of operational improvement programs and best practices in order to improve efficiency of labor force. Tools and processes for measurement and tracking of employee satisfaction to be available upon successful completion of initial MSA term.

- c. Responsibility for quality and patient safety program management (and as appropriate, oversight of expansion) of the clinical services of County and its hospital-based clinics (but not of County Federally Qualified Health Center (“FQHC”) clinics), implement standardized tools & resources to ensure compliance with TJC, CMS, and other agencies monitoring quality;
- d. Advice, assistance and joint collaboration with County, with respect to joint clinical management with the goal of achieving clinical integration consistent with the goals and activities set forth in **Schedule 3.1.2**;
- e. Advisory services related to medical staff development including guidance on medical staff bylaws and implementation of peer review policy to ensure compliance with TJC, CMS, physician leadership, recruitment, retention, education, support and integration; strengthen credentialing, provider education, and governance process;
- f. Consulting and advising in the developing and implementing, as appropriate, of 18-month strategic operating plans for County, including market assessment, business planning, service line development and data analytics support (within antitrust guidelines);
- g. Consulting and advising in seeking to improve management and efficiency of County purchasing, supply chain and procurement services, including participation in Dignity Health purchasing arrangements and to supply chain management best practices as allowed under the defined arrangement between Dignity Health and County. Detailed analysis on current expenses and potential cost savings targets will be established along with workplan to track and monitor progress;
- h. Consulting and advising on specific tools and programs to optimize existing information technology platforms and services, including consultation on design and installation of MIDAS and readiness of the necessary customization to Peoplesoft system to enable supply chain access to Dignity Health GPO;
- i. Consultation and overseeing process improvements in time & attendance management related to the Peoplesoft installation;
- j. Provide assistance to County in managed care leader succession, provide contract language toolkit to help County negotiate key language going forward (subject to antitrust guidelines);
- k. Provide access to Dignity Health programs and consulting to support County focus on community health, value-based health, population health and community benefits including potential provider participation in Dignity Health CIN networks, analytic tools, ACO/PPO networks, and community partner relationships;
- l. Consulting and best practices for case management and care coordination (projects may include one or more of the following: review of bed management including acuity scoring and patient care assignment, review of operational workflows for

patient satisfaction, staffing optimization, ED throughput analysis, virtual companion program, centralized transfer services); Education and consulting on Clinical Documentation Improvement; and

- m. Provide consulting and advice for management, improvement in operations, quality, and coordination of County's Graduate Medical Education programs with GME programs at current Dignity Health hospitals.

**II. Development of Work Plans.** The delivery of these services and implementation details, such as respective roles and responsibilities, assumptions and dependencies, milestones and project schedules, will be specified in work plans developed jointly with County.

**III. Service Fees.**

- a. Services Initiated Day 1. Dignity Health anticipates starting a set of projects ("Day 1 Projects") immediately while others may depend on certain conditions being met before they kick off ("Additional Projects") that are delineated below:
  - i. Day 1 Projects
    - 1. Supply Chain
    - 2. Revenue Cycle
    - 3. CDI
    - 4. Quality
    - 5. Financial Operations
    - 6. Supplemental Funding
    - 7. IT Support of Day 1 Projects
  - ii. Additional Projects
    - 1. Clinical Operations – Effectiveness
    - 2. GME
    - 3. Physician Integration
    - 4. Medical Staff
    - 5. Service Lines
    - 6. Community Benefit / Population Health
    - 7. Payer Strategy
- b. Monthly Fees (See Section IV below for a detailed fee schedule by project)
  - i. Day 1 Projects - \$146,316
  - ii. Additional Projects - \$81,417 (these may be assessed individually)
- c. Expansion of scope of work. Any additional work beyond what was originally drafted in workplans through March 24 and included in the fee schedule above, that is determined necessary to achieve the shared goals will be described with estimated project resource needs for approval by the County through the CAO. These additional Dignity Health/CommonSpirit Health resources can be billed at an hourly rate to be determined.
- d. Pass-Through Fees
  - i. C-suite executive compensation as specified in Exhibit B, Section 4.
  - ii. Any direct costs incurred by Dignity Health or CommonSpirit Health that are needed to deliver the services described in Schedule 3.1.1 will be charged to the County. All such charges will be brought to the County for approval through the CAO.

- e. Services Not Provided by Dignity Health or CommonSpirit Health that the County has responsibility to fund:
  - i. Any costs related to installation and integration of Peoplesoft
  - ii. Cerner consultant fees
  - iii. Toyon consultant fees
  - iv. Huron consulting services and data reporting tools fees
  - v. MIDAS/Symplr system fees
  - vi. Dedicated staff to administer MIDAS
  - vii. Other technology systems and tools for patient safety and event reporting, credentialing, etc.
  - viii. Legal services
- f. Other Fee Provisions
  - i. County will be responsible for any direct costs of 3rd party costs associated with projects underway (e.g. MIDAS fees);
  - ii. County will provide resources and support for projects requiring County staff (e.g. IT staff to customize Peoplesoft for supply chain interface);
  - iii. The salary, wage and benefit costs of C-suite or other management staff employed by Dignity Health will be additional pass-through costs;
  - iv. Each of the projects described will invoice actual time and expense of staff time involved in management and oversight.
  - v. Additional services identified during this phase of work as requirements to implement the projects above may need to be included in the scope of work, which will be presented to County for consideration, and if approved, will adjust the total cost of services rendered.

#### IV. MSA Fee Schedule by Project

	Phase 1 (annual run rate)	Monthly
<b><i>Begins Day 1</i></b>		
MSA Administration	\$ 301,190	
Clinical Integration management	\$ 100,000	
Supply Chain	\$ 175,000	
Financial Operations (Labor Optimization)	\$ 95,000	
Supplemental Funding	\$ 50,000	
Rev Cycle	\$ 245,000	
Revenue Integrity	\$ 89,600	
Quality	\$ 450,000	
Clinical Documentation Specialist	\$ 200,000	
IT Services	\$ 50,000	
<b>Subtotal</b>	<b>\$1,755,790</b>	<b>\$146,316</b>
<b><i>May be included in initial 18 months but not Day 1 activity</i></b>		
Clin Ops - Effectiveness	\$200,000	
Physician Integration &	\$ 150,000	
Clin Ops - Service Lines		
GME	\$ 50,000	
Medical Staff	\$ 317,000	
Community Benefit / Pop Health	\$ 50,000	
<b><i>May be included in initial 18 months pending CI progress</i></b>		
Payer Strategy	\$210,000	
<b>Subtotal</b>	<b>\$977,000</b>	<b>\$81,417</b>

### **SCHEDULE 3.1.2**

#### **Comprehensive Joint Clinical Management to Achieve Clinical Integration**

Clinical integration is a goal of both Parties. During the Initial Term the Parties will collaborate in the areas described below so that reasonable progress towards clinical integration can commence during the Initial Term and be further developed and implemented to the greatest practical extent during the Extended Initial Term if such Extended Initial Term is approved by the Parties. While the Parties acknowledge they cannot achieve every one of the following goals during the Initial Term, or even in the Extended Initial Term, and may in fact choose not to pursue certain of the following goals, they are committed to collaborating to develop and implement as many of the goals as possible consistent with the mission and strategic goals of the Parties, financial and operational restraints, and in a time frame reasonably acceptable to the Parties that will allow the Parties to expand the scope of services provided by Dignity Health and engage in further collaboration as appropriate.

To that end, Dignity Health will develop a program during the term of the Agreement that will allow it to collaborate with the County to provide comprehensive clinical management advice to integrate the clinical services offered by County with the similar or competing services offered by Dignity Health. Dignity Health will advise and assist the County during the Initial Term to jointly develop and lay the groundwork and foundation for implementation during the Extended Initial Term an active and ongoing program to evaluate and modify practice patterns by the County's and Dignity Health's providers and create a high degree of interdependence and cooperation among those providers to control costs and ensure quality.

Clinical integration steps the Parties will consider include (all subject to antitrust guidelines):

- a. Assisting the County in developing a clear set of goals for cost savings and quality improvement that can reasonably be achieved through integrating the network providers' clinical practices and modifying their practice patterns;
- b. Selectively choosing to recruit and retain providers who are likely to further those goals;
- c. Advising the County on the investment of capital, both monetary and human, in the infrastructure and capability necessary to achieve those goals;
- d. Overseeing the County's development and use of electronic clinical records systems to facilitate care coordination, reduce duplication, and enhance efficiency;
- e. Developing protocols for measurement and tracking of cost saving targets (e.g. supply chain, operational effectiveness) and performance improvement plans (e.g. quality, revenue cycle);
- f. Improving and integrating network providers to affect overall clinical quality (including changes to medical staff bylaws, policies & procedures);
- g. Oversight of infrastructure improvements (e.g. IT and organizational resources) to enable performance improvement as required by County to provide MIDAS, Peoplesoft, Huron reporting tools, etc.;

- h. Development of comprehensive evidence-based clinical guidelines designed to modify practice patterns and achieve the clinical quality improvement goals;
- i. Continuous and rigorous measurement of process and outcome performance, including staff performance against workplans;
- j. Dignity Health representation and guidance on Health System quality committees
- k. Application of clinical quality program goals and metrics in every medical specialty and service line at the Hospital;
- l. Working collaboratively with the Hospital medical staff to achieve clinical integration goals, including creating shared best practices for clinical practice protocols and establishing mechanisms to ensure compliance with those protocols;
- m. Create and staff a data reporting and analysis system to monitor each physician's compliance with these established protocols; and
- n. Create and staff a system to remedy non-compliance with established protocols (physicians and non-physician staff).