

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of)

Community Healthcare Systems, Inc.,)
A corporation;)

and)

Healthcare Management Associates, Inc.,)
a corporation.)

Docket No. C-4427

APPLICATION FOR APPROVAL OF PROPOSED DIVESTITURE

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1. Introduction

Pursuant to Section 2.41(f) of the Federal Trade Commission's (the "Commission") Rules of Practice and Procedure¹ and Paragraph II of the Decision and Order (the "Order") in *Community Health Systems, Inc. and Health Management Associates, Inc.*, Community Health Systems, Inc. ("CHS" or "Respondent") requests the Commission approve the divestiture of the "Riverview Assets" (as defined below) to an affiliate of Prime Healthcare Services, Inc. ("Prime"). The divestiture will "ensure the continuation of the Riverview Regional Medical Center as an ongoing, viable Acute Care Hospital providing General Acute Care Inpatient Hospital Services." Prime is a qualified and viable purchaser of the Riverview Assets; it is a highly regarded owner and operator of twenty three acute care hospitals. Divestiture of the Riverview Assets to Prime, if approved, will fulfill the purpose of the Order.

2. The Assets to Be Divested

On July 29, 2013, CHS agreed to acquire Health Management Associates, Inc. ("HMA") through merger;² the transaction was consummated on January 27, 2014.³ On April 11, 2014, the Commission made final a Decision and Order ("Order") requiring CHS to divest the Riverview Assets "absolutely and in good faith ... as an ongoing business ... to an acquirer that receives the prior approval of the Commission, and only in a manner ... that receives the prior approval of the Commission."⁴

¹ 16 C.F.R. § 2.41(f)

² *Community Health Systems to Acquire Health Management Associates* (July 30, 2013), available at <http://www.chs.net/investor-relations/press-room-media-releases/>.

³ *Community Health Systems Completes Acquisition of Health Management Associates* (January 27, 2014), available at <http://www.chs.net/investor-relations/press-room-media-releases/>.

⁴ Decision and Order, ¶II.A, *Community Health Systems, Inc. and Health Management Associates, Inc.*, Docket No. C-4427, April 11, 2014.

The Riverview Assets⁵ include the tangible and intangible assets⁶ relating to or used in connection with the Hospital Services and Outpatient Business⁷ of the Riverview Regional Medical Center⁸ and the Riverview Outpatient Facilities.⁹

3. Divestiture to Prime is Consistent with the Requirements of the Decision and Order

The Riverview Assets will be divested to Prime pursuant to an executed Asset Purchase Agreement¹⁰ (“Agreement”) dated _____, by and among Riverview Regional Medical Center, LLC, Gadsden HMA Physician Management, LLC, CHS/Community Health Systems, Inc., Prime Healthcare Services - Gadsden, LLC, Prime Healthcare Services - Gadsden Physician Management, LLC, and Prime Healthcare Services, Inc.¹¹ (Prime Healthcare Services - Gadsden, LLC and Prime Healthcare Services - Gadsden Physician Management, LLC are controlled by Prime Healthcare Services, Inc.) Prime will acquire substantially all of the assets of Riverview Regional Medical Center and the Riverview Outpatient Facilities.

CHS owns and operates¹² the Riverview Regional Medical Center and its related businesses, including physician clinic operations and other ancillary services and operations. With the exception of certain excluded assets and liabilities described at ¶¶ 1.2, 1.4 and Schedule 1.2 of the Agreement, all tangible and intangible assets of the Riverview Assets will be acquired by Prime, as required by the Decision and Order.

⁵ Defined at ¶I.Z, Decision and Order.

⁶ The assets are more thoroughly described in ¶I.Z, Decision and Order.

⁷ Defined at ¶I.AA, Decision and Order.

⁸ Defined at ¶I.BB, Decision and Order.

⁹ Defined at ¶I.Q, Decision and Order.

¹⁰ The Agreement is attached as Exhibit One. Confidential treatment is requested for the Agreement.

¹¹ Prime Healthcare Services - Gadsden, LLC and Prime Healthcare Services - Gadsden Physician Management, LLC are controlled by Prime Healthcare Services, Inc. Riverview Regional Medical Center, LLC and Gadsden HMA Physician Management, LLC are controlled by CHS.

¹² CHS owns and operates Riverview Regional Medical Center (and related businesses) subject to the restrictions of the Order to Hold Separate and Maintain Assets. CHS acquired the Riverview Assets from HMA.

CHS will divest the Riverview Assets as an “ongoing business.” CHS has represented and warranted to Prime that it has all licenses, registrations, permits, and approvals required to operate a general acute care hospital in Alabama, and that no permits or licenses preclude or limit Prime’s ability to control the Riverview Assets.¹³ CHS is subject to customary and usual covenants related to operating the Riverview Assets prior to consummation of their divestiture to Prime.¹⁴

CHS is obligated (i) to obtain all governmental approvals necessary or required, and (ii) to assist and cooperate with Prime in obtaining all government consents, approvals, and licenses which Prime deems necessary or appropriate to effectuate the transaction contemplated by the Agreement.¹⁵ CHS must use reasonable commercial efforts to satisfy all conditions precedent to closing. The Agreement includes an employee non-solicitation provision as required by the Decision and Order.¹⁶ CHS will not have a continuing interest in the Riverview Assets, nor will CHS have a financial stake in the Riverview Assets upon their divestiture to Prime.

Consistent with the requirements of the Decision and Order,¹⁷ CHS and Prime have also entered into an Information Technology Transition Services Agreement and a Transition Services Agreement. The term of each agreement is twelve months.

The Information Technology Transition Services Agreement is attached as Exhibit B to the Agreement; Schedule One of the Information Technology Transition Services Agreement identifies the specific information services CHS is obligated to provide (itself or through subcontracting to a third party) to Prime.¹⁸

¹³ Agreement at ¶3.8.

¹⁴ Agreement at ¶¶ 5.2, 5.3, consistent with ¶ III.B, Decision and Order.

¹⁵ Agreement at ¶¶ 5.4, 5.5, consistent with ¶ III.C, Decision and Order.

¹⁶ Agreement at ¶9, consistent with ¶V.F, Decision and Order.

¹⁷ ¶ VI, Decision and Order.

¹⁸ Confidential treatment is requested for the Information Technology Transition Services Agreement.

The Transition Services Agreement is attached as Exhibit C to the Agreement; Exhibit A to the Transaction Services Agreement describes the specific transition services to be provided to Prime.¹⁹

CHS believes the scope of services it is obligated to provide is consistent with the services required by Prime during the first year of its ownership and operation of the Riverview Assets.

4. **Prime Is a Qualified and Viable Purchaser, Capable of Effectively Operating the Riverview Assets**

Prime is an award winning Healthcare System based in Ontario, California.²⁰ Prime has been in operation since 2001 and, by and through its subsidiaries, operates twenty-three (23) acute care hospitals with approximately 4,500 beds throughout California, Indiana, Kansas, Michigan, Nevada, New Jersey, Pennsylvania, Rhode Island, and Texas. (A description of each hospital owned by Prime is available at the website of each hospital.²¹) Prime is affiliated with the Prime Healthcare Foundation, a 501(c)(3) public charity with assets of approximately \$800 million, which owns and operates six (6) acute care hospitals in California and Texas. (A description of each hospital owned by the Prime Healthcare Foundation is available at the website of each hospital.²²) Thomson Reuters/Truven Health Analytics ranked Prime as one of the Top 10 Health Systems in the United States in 2009 and as one of the Top 15 Health Systems in the United States in 2012 & 2013.²³

Prime has the financial resources necessary to operate the Riverview Assets as an effective provider of general, acute care and related services. Prime's 2013 net revenue

¹⁹ Confidential treatment is requested for the Transition Services Agreement.

²⁰ Prime's full address is 3300 East Guasti Road, Ontario, California, 91761.

²¹ The website address for each hospital is provided at Exhibit Four.

²² The website address for each hospital is provided at Exhibit Five.

²³ Additional information about Prime is available at its website, <http://www.primehealthcare.com/>.

exceeded ; its net revenue for 2012 was approximately .²⁴ The company has substantial cash reserves to fund maintenance requirements and upgrades to its facilities. The company has a track record of investing capital and improving patient care outcomes at each of the hospitals it has acquired and operates. Prime has a strong commitment to the communities in which its hospitals are located and has provided uncompensated and charity care valued at approximately \$2 billion since 2010.

Prime's management team has more than 125 combined years of experience acquiring, turning around, and operating acute care hospitals. A list of Prime's senior officers and members of its board of directors is provided at Exhibit Two; background information on each of its senior officers and directors is provided at Exhibit Three.

Prime is well positioned and financially capable of operating the Riverview Assets. For additional information about Prime, please contact Troy Schell, Prime's General Counsel.²⁵

5. Request for Confidential Treatment

This application (including the exhibits) contains confidential and competitively sensitive information relating to the divestiture of the Riverview Assets. Pursuant to Section 4.2(d)(4) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 4.2(d)(4), CHS is submitting two versions of this Application. The confidential version contains nonpublic or commercially or competitively sensitive information. The public version redacts confidential information. Pursuant to Sections 6(f) and 21(c) of the Federal Trade Commission Act, 15 U.S.C. §§ 46(f) and 57b-2(c), and Sections 2.41(f)(4), 4.9(c) and 4.10(a)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. §§ 2.41(f)(4), 4.9(c) and 4.10(a)(2), CHS requests that all nonpublic or commercially or competitively sensitive information contained in the Application be treated by

²⁴ Confidential treatment is requested for Prime's 2013 and 2012 revenue figures.

²⁵ Mr. Schell's telephone number will be provided under separate cover to the Compliance Division.

the Commission as strictly confidential and not be made available to the public. The disclosure of such information may prejudice CHS and Prime. If the Commission cannot treat this application as confidential, we request that the Commission inform us immediately, to provide CHS an opportunity to seek appropriate relief.

6. Conclusion

Because the proposed divestiture is pro-competitive, in the public interest and addresses the competitive concerns raised in the Order, and for the additional reasons set forth above, CHS requests that the Commission approve the proposed divestiture.

CHS desires to complete the proposed divestiture of the Riverview Assets as soon as possible. Prompt consummation will further the purposes of the Order, and is in the interests of the Commission, the public, Prime, and CHS. Accordingly, CHS requests that the Commission promptly commence the public comment period pursuant to Section 2.41(f) of the Commission's Rules, 16 C.F.R. § 2.41(f) (2014), limit the comment period to the customary 30 days, and approve this application for divestiture as soon as practicable after the close of the public comment period.

Dated: November 24, 2014

Respectfully submitted,

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Exhibit

1

Exhibit

2



Prem Reddy, MD, FACC, FCCP Chairman, President, and CEO

Dr. Prem Reddy completed his residency training in Internal Medicine and Cardiovascular Disease at the Down State Medical Center, S.U.N.Y. in Brooklyn, New York. In 1981, he moved to California and established his medical practice in the High Desert area of Southern California. Dr. Reddy is double Board-Certified in Internal Medicine and Cardiology. He was awarded the honor of becoming a Fellow of the American College of Cardiology ("FACC") and a Fellow of the American College of Chest Physicians ("FCCP").

During his 25 years of practice in the High Desert, he was committed to the service of his patients and performed more than 5,000 cardiac procedures, including coronary angiography and angioplasty and permanent pacemaker implantations.

In 2014, he was named one of the "50 Most Influential Physician Executives" in Health Care by Modern Healthcare magazine. This was the fourth time in six years he received this recognition. He was also named one of the "25 Top Minority Executives" in the nation in 2014 by Modern Healthcare magazine, for the third time.

In 1994, Dr. Reddy built from the ground up an 83-bed acute care hospital, Desert Valley Hospital, (now expanded to 148 beds) in Victorville, California. Desert Valley Hospital received coveted accreditation with "commendation" in its first year of operation for the high quality of its services and continues to lead all hospitals in the area with the highest survey scores.

After selling a previous company, which included Desert Valley Hospital, Dr. Reddy founded Prime Healthcare Services ("PHS"), Inc. in 2001. Dr. Reddy repurchased the-then failing Desert Valley Hospital and the Desert Valley Medical Group and turned them back into successful entities that were once again able to serve the community and provide the highest quality of care. PHS now owns and/or operates 23 hospitals in nine states.

Among the many accolades, Prime Healthcare Services was recognized as one of the "Top 15 Health Systems" in the nation in 2013 by Truven Health Analytics, formerly Thomson Reuters. This was the third time in the past six years that Prime Healthcare was recognized. In 2014, eight Prime Healthcare hospitals were ranked among the "100 Top Hospitals" in the nation. Prime Healthcare hospitals have been recognized for this award 27 times since 2003. In addition, eleven Prime Healthcare hospitals in 2013 earned national recognition as "Top Performers in Key Quality Measures" from The Joint Commission, the leading Medicare accreditation organization in the country.

Throughout his career, Dr. Prem Reddy has been committed to serving the communities in which he works. His philanthropic work was honored by the Boys & Girls Club of Greater San Diego in 2012 when he was given a Golden Achievement Award.

In 1989, he established the Dr. Prem Reddy Family Foundation a 501(c)(3) not-for-profit charitable organization with an initial gift of \$1 million. Since that time, he has contributed over \$20 million dollars to the Foundation. The Dr. Prem Reddy Family Foundation serves the health care needs of the High Desert communities in many ways, including a free public health library, a scholarship program for students in the health care field, and the support of other health care related charities.

He has donated more than \$5 million to Victor Valley College, including \$2 million in 2014 for a new health and science building. The college named its student health clinic, the "Dr. Prem Reddy Student and Staff Health Center" and its allied health program, the "Dr. Prem Reddy Health and Sciences Building" in honor of his donations to the program. The Western University of Health Science in Pomona, California, named its largest lecture hall the "Dr. Prem Reddy Lecture Hall," in honor of his many contributions to education in the health care field.

Dr. Reddy also founded the Prime Healthcare Foundation, a 501(c)(3) non-profit public charity, in 2006. In 2014, he donated \$40 million to build a new nonprofit California medical school, which will be called the California University of Science and Medicine. The foundation owns six non-profit hospitals: Encino Hospital Medical Center, Huntington Beach Hospital, Knapp Medical Center, Montclair Hospital Medical Center, Pampa Regional Medical Center and Sherman Oaks Hospital. Each of these hospitals was donated to the foundation with no debt and are considered community assets



Paryus Patel, MD

Chief Medical Officer

Dr. Paryus Patel was appointed Chief Medical Officer for all Prime Healthcare hospitals in September 2013.

He is a triple board certified physician with over 25 years of experience in the fields of critical care medicine, internal medicine and pulmonology. He received his medical degree from MS University, Baroda Medical College in Gujarat, India. He then continued his training at the USC Medical Center where he was named Chief Resident of Internal Medicine and then honed his skills as a Fellow in Pulmonary and Critical Care Medicine and Transplant

Medicine.

In addition to being the corporate Chief Medical Officer, Dr. Patel is currently Chief Medical Officer for Centinela Hospital Medical Center in Inglewood, California. He holds the following leadership positions at the facility:

- Board Member
- Director, Cardiovascular ICU, CCU, MICU
- Chairman of Institutional Review Board
- Member of the Medical Executive Committee
- Chairman, Clinical Quality and Performance

Dr. Patel has received numerous accolades and awards over his distinguished career. Most recently, he was named a "Super Doctor" by Los Angeles Magazine for 2012 and 2013.



Michael Sarian

President of Operations

Michael Sarian was named President, Hospital Operations for Prime Healthcare Services in June 2012.

Mr. Sarian has over 25 years of executive management experience in healthcare that includes serving as a multi-hospital CEO, a multi-specialty medical group CEO, hospital CFO and in other senior executive and finance positions.

Before coming to Prime Healthcare, Mr. Sarian was at Prospect Medical Holdings for seven years and in charge of all hospital operations. Prior to joining Prospect, he was CEO of Heritage Medical Group in Harrisburg, Pennsylvania.

Mr. Sarian has a Masters in Business Administration from the University of La Verne, College of Business and Public Management, and a Bachelors of Science in Business Administration, Accounting and Finance, from California State University, Los Angeles. He is also active in various community, charity and civic organizations.



Luis Leon

President of Operations II

Luis Leon, PA-C, serves as President of Operations II of Prime Healthcare Services. Previously, he was the Regional CEO-San Diego, overseeing Alvarado Hospital and Paradise Valley Hospital. During his tenure at Paradise Valley, he was instrumental in bringing stability to the hospital and then allowing it to thrive. In 2012, the hospital was nationally recognized as a "Top Performing Hospital" by The Joint Commission.

Luis did his general studies at La Sierra University in Riverside, California. He went on to earn a certificate as a Physician Assistant from University of California, Davis; and an Associate's Degree in X-ray technology from Loma Linda University.

Luis is Chairman of the Board for 2013 of the California Hospital Association of San Diego and Imperial Counties, member of the Executive Committee for CHA, and maintains memberships with the California Association of Physicians Assistants, the National Association of Physicians Assistants and the California Association of Radiologic Technologists as well as the American Registry of Radiologic Technologies.

He is a native of Cuba, and he and his family emigrated to the United States early in his life. Luis currently resides in Riverside, California with his wife Loyda and their two sons. Both Luis and Loyda are the children of ministers of the Seventh-day Adventist Church, which has a long tradition of health care service. It is that heritage of service that fuels Luis' passion for the practice of medicine.



Harsha Upadhyay

Vice President, Clinical Operations

Harsha Upadhyay, MBA, MS, CSHA, CPHQ, currently serves as the Vice President – Clinical Operations for Prime Healthcare Services.

Prior to his current position, Harsha served in the capacity of Corporate Director – Performance Improvement for Prime Healthcare since 2006 and was responsible for system wide development, implementation, integration and coordination of Performance Improvement, Patient Safety and Accreditation initiatives across all Prime hospitals. Since coming on board with Prime, Harsha, in his role, has been instrumental in successfully leveraging efficiencies in Clinical Operations, Quality & Patient Safety and Accreditation. Under his leadership and direction, several Prime hospitals have received national recognition and accolades such as 100 Top Hospitals achievement and Key Quality awards.

Prior to joining Prime, Harsha worked with Vanguard Health System in Orange County Hospital as Director of Quality. He also worked at University of California, Los Angeles Medical Center where he focused on Patient Safety and Accreditation operations.

Harsha holds a Masters in Business Administration in Hospital Administration (five year integrated program graduating in Medicine and Management) and also a Master of Science degree in Healthcare Management. Harsha is also a Certified Professional in Healthcare Quality (CPHQ) and a Certified Specialist in Healthcare Accreditation (CSHA). He is a national speaker and an expert in Healthcare certification and accreditation.

Harsha maintains professional memberships with California Association for Healthcare Quality (CAHQ), Association for Healthcare Accreditation Professionals (AHAP) and American College of Healthcare Executives (ACHE)

Exhibit

3

1. Alvarado Hospital in San Diego, California (306 beds)
<http://www.alvaradohospital.com/>
2. Centinela Hospital Medical Center in Inglewood, California (369 beds)
<http://www.centinelamed.com/>
3. Chino Valley Medical Center in Chino, California (126 beds)
<http://www.cvmc.com/>
4. Dallas Medical Center in Dallas, Texas (155 beds)
<http://www.dallasmedcenter.com/>
5. Desert Valley Hospital in Victorville, California (148 beds)
<http://www.dvmc.com/>
6. Garden City Hospital in Garden City, Michigan (323 beds)
<https://www.gch.org/Home.aspx>
7. Garden Grove Hospital Medical Center in Garden Grove, California (167 beds)
<http://www.gardengrovehospital.com/>
8. Glendora Community Hospital in Glendora, California (128 beds)
<http://www.evhmc.com/>
9. Harlingen Medical Center in Harlingen, Texas (112 beds)
<http://www.harlingenmedicalcenter.com/>
10. La Palma Intercommunity Hospital in La Palma, California (141 beds)
<http://www.lapalmaintercommunityhospital.com/>
11. Landmark Medical Center in Woonsocket, Rhode Island (214 beds)
<http://www.landmarkmedical.org/>
12. Lower Bucks Hospital in Bristol, Pennsylvania (156 beds)
<http://www.lowerbuckshosp.com/>

13. Monroe Hospital in Bloomington, Indiana^[1] (32 beds)
<http://www.monroehospital.com/>
14. Paradise Valley Hospital in National City, California (301 beds)
<http://www.paradisevalleyhospital.net/>
15. Providence Medical Center in Kansas City, Kansas (400 beds)
<http://www.providencekc.com/>
16. Rehabilitation Hospital of Rhode Island in North Smithfield, Rhode Island (82 beds) - <http://www.rhri.net/>
17. Roxborough Memorial Hospital in Philadelphia, Pennsylvania (140 beds)
<http://www.roxboroughmemorial.com/>
18. Saint Mary's Hospital in Passaic, New Jersey (269 beds)
<http://www.smh-passaic.org/>
19. Saint Mary's Regional Medical Center in Reno, Nevada (380 beds)
<http://www.saintmarysreno.com/>
20. Saint John Hospital in Leavenworth, Kansas (80 beds)
<http://www.stjohnleavenworth.com/>
21. San Dimas Community Hospital in San Dimas, California (101 beds)
<http://www.sandimashospital.com/>
22. Shasta Regional Medical Center in Redding, California (246 beds)
<http://www.shastaregional.com/>
23. West Anaheim Medical Center in Anaheim, California (219 beds)
<http://www.westanaheimmedctr.com/>

^[1] Prime Healthcare currently manages Monroe Hospital in Bloomington, Indiana.

Exhibit

4

1. Encino Hospital Medical Center in Encino, California (150 beds)
<http://www.encinomed.org/>
2. Huntington Beach Hospital in Huntington Beach, California (131 beds)
<http://www.hbhospital.org/>
3. Knapp Medical Center in Weslaco, Texas (227 beds)
<http://www.knappmed.org/>
4. Montclair Hospital Medical Center in Montclair, California (102 beds)
<http://www.montclair-hospital.org/>
5. Pampa Regional Medical Center in Pampa, Texas (115 beds)
<http://www.prmctx.com/>
6. Sherman Oaks Hospital in Sherman Oaks, California (153 beds)
<http://www.shermanoakshospital.org/>