Exhibit E

County Administrative Office Review of Independent Consultants NMC Trauma Feasibility Assessments

In preparation for seeking designation as the County of Monterey Trauma Center, Natividad Medical Center (NMC) contracted with Bishop + Associates and the Abaris Group to conduct Level II Trauma feasibility assessments. The County Administrative Office has conducted a review of these assessments and found the work product to be informative and comprehensive. Both assessments found that NMC could financially support a Level II Trauma designation given certain assumptions.

Bishop + Associates assessment was based upon all serious injury patients admitted during 2009 and extrapolates this data to make projections on Trauma II volume for Monterey County. An in-depth analysis of reimbursements related to specific NMC patients was provided showing that while the projected payer mix for NMC "is a relatively poor payer mix based upon national norms, it is comparable with the overall payer mix of trauma centers in Santa Clara County, which have proven to be financial feasible" (Bishop + Associates, April 2011). While the Bishop Report was comprehensive our review will focus on the payer mix as the payer mix is a critical component to determine success of an NMC Trauma II designation. The report analyzed the current payer mix of NMC patients who were treated at NMC that could have been classified as trauma patients had a trauma center existed within Monterey County at the time of treatment. The chart to the right shows the current NMC payer mix. The Commercial payer class included Worker Compensation and Other Government payer groups, without combining these groups pure commercial accounted for 9.4 percent of NMC current Trauma patients. Looking at other local hospitals commercial payers were found to represent the following : Salinas Valley 43.4 percent; Community Hospital 30.9 percent; George Mee 5.6; and Trauma patients transported to Santa Clara from Monterey County 20.9 percent.

Payer Class	Mix
Commercial	25%
Medicare	28%
Medi-Cal	26%
Self-Pay	22%
Totals	**100.0%**

Expecting that these trauma patients are directed to the designated trauma center in Monterey County, Bishop + Associates provided a weighted average of the payer mix data for the region. This then becomes the "NMC Projected Payer Mix" (Bishop + Associates, April 2011), which was utilized by Bishop + Associates and the Abaris Group to determine revenue projections. In terms of developing a Pro Forma this methodology is adequate, however, as with all assumptions, the risks should be clearly understood by those who rely on them to make calculated business decisions. This was only one assumption that was required for the Bishop Report to determine the financial feasibility of developing a Level II Trauma Center at NMC. Overall the Bishop Report found that NMC could financially sustain a Level II Trauma Center with a Surplus Revenue of $9,463,914 prior to allocation of indirect costs, however upon allocation of indirect costs the Trauma II would present a loss of $358,487. Most indirect costs will be incurred regardless of implementation of a Trauma II Center

NMC Projected Payer Mix	% of Cost
Commercial	30.9%
Work Comp	3.5%
Other/Gov	6.9%
Medicare	27.1
Medi-Cal	21.7%
Self-Pay	9.9%
Totals	100%

at NMC so the ability to diversify allocation of indirect costs should present a larger net income for other business lines that currently support these indirect cost allocations.

The Abaris Group utilizes the Bishop Report as a foundation and further conducts analysis on the financial feasibility of a Trauma II Center at NMC. The Abaris Group provides greater detail on the incremental cost increases associated with implementation of a Trauma II Center at NMC. The Abaris Report provided many recommendations for NMC to prepare for implementing a Level II Trauma, while additionally providing various financial scenarios given certain assumptions. Of greatest utility for the County Administrative Office, review was a detailed interrelated worksheet outlining the assumptions. This worksheet provided the County Administrative Office a tool to run various scenarios given certain differing assumptions. Our review determined that while many factors can dramatically impact the financial performance of a Trauma II Center the most immediate impact is the payer mix. The Abaris Group depended on the payer mix analysis provided by the Bishop Report and with the inclusion of many other detail assumptions found that NMC could financially sustain a Level II Trauma Center with net income ranging from $3 million to $5.2 million depending on volumes, see chart below.

Natividad Medical Center (Abaris Pro Forma)			
Level II Trauma Program Financial Pro Forma	**Profitability Analysis**		
	Scenario I	Scenario 2	Scenario 3
Number of Annual Trauma Patients	1,038	1,153	1,268
Percentage of Trauma Patients			
Admitted as Inpatients	70%	70%	70%
Number of Inpatient Trauma Patients	727	807	888
Number of Outpatient Trauma Patients	311	346	380
Average Length of Stay	5.4	5.4	5.4
Number of Patient Days	3,924	4,358	4,793
Inpatient Payor Mix (Must Equal 100%)			
Medicare	12.0%	12.0%	12.0%
Medi-Cal	40.0%	40.0%	40.0%
Commercial/Managed Care/Work Comp/All Other Payors	35.9%	35.9%	35.9%
Self Pay - Cash	5.2%	5.2%	5.2%
Other - Indigent/County/State	6.9%	6.9%	6.9%
Total	100.0%	100.0%	100.0%
TOTAL NET INPATIENT REIMBURSEMENT	**32,261,680**	**35,835,950**	**39,410,221**
TOTAL OUTPATIENT NET REIMBURSEMENT	**1,612,104**	**1,790,709**	**1,969,314**
TOTAL NET REIMBURSEMENT	**33,873,784**	**37,626,660**	**41,379,536**

Total Operating Expenses	Scenario I	Scenario 2	Scenario 3
Operating Expenses (based on cost-to-charge ratio)	$17,014,534	$18,899,574	$20,784,614
Trauma Department and Physician Support			
New Trauma and Clinical Costs	2,625,000	2,625,000	2,625,000
In-House/On-Call Panel Subsidy (Change from Existing Subsidy)	4,452,635	4,452,635	4,452,635
Bad Debts (Estimate of Net Revenue)	6,774,757	7,525,332	8,275,907
Total Expenses	**$30,866,926**	**$33,502,541**	**$36,138,156**
Net Income	**$3,006,858**	**$4,124,119**	**$5,241,380**

To provide a clear understanding of the financial risks involved with acceptance of assumptions the County Administrative Office utilized the Abaris models with a modified assumption that the current NMC Payer Mix would remain unchanged from current experience once a Trauma II Center was implemented at NMC. The change of payer mix provides a better understanding of the impact that payer mix can make on the financial performance of NMC. While the County Administrative Office does recognize that this scenario may materialize significantly different, it must be understood that any assumption is fraught with risk and providing a wider range of assumptions will help those charged with the final decision. Below is the outcome when the payer mix assumptions remains unchanged from NMC's current trauma level payer mix experience.

Natividad Medical Center (Current Payer Mix Experience)			
Level II Trauma Program Financial Pro Forma	**Profitability Analysis**		
	Scenario I	Scenario 2	Scenario 3
Number of Annual Trauma Patients	1,038	1,153	1,268
Percentage of Trauma Patients			
Admitted as Inpatients	70%	70%	70%
Number of Inpatient Trauma Patients	727	807	888
Number of Outpatient Trauma Patients	311	346	380
Average Length of Stay	5.4	5.4	5.4
Number of Patient Days	3,924	4,358	4,793
TOTAL NET INPATIENT REIMBURSEMENT	**27,253,481**	**30,272,894**	**33,292,306**
TOTAL OUTPATIENT NET REIMBURSEMENT	**1,612,104**	**1,790,709**	**1,969,314**
TOTAL NET REIMBURSEMENT	**28,865,586**	**32,063,603**	**35,261,621**

Total Operating Expenses	Scenario I	Scenario 2	Scenario 3
Operating Expenses (based on cost-to-charge ratio)	$16,803,246	$18,664,877	$20,526,509
Trauma Department and Physician Support			
New Trauma and Clinical Costs	2,625,000	2,625,000	2,625,000
In-House/On-Call Panel Subsidy (Change from Existing Subsidy)	4,452,635	4,452,635	4,452,635
Bad Debts (Estimate of Net Revenue)	5,773,117	6,412,721	7,052,324
Total Expenses	**$29,653,998**	**$32,155,233**	**$34,656,468**
Net Income	**($788,413)**	**($91,630)**	**$605,153**

The change in payer mix takes annual net income to a negative ranging from $788,413 to $91,630 with a positive net income resulting when volumes reach 1,268. While risk is inherent in any business, these scenarios serve to provide a better understanding of the possible financial outcomes of undertaking a new service line such as a Trauma at NMC. Overall, the County Administrative Office sees the independent analysis conducted by Bishop and Abaris as extremely valuable and an important source of information. It should be noted that many other perspectives can be attained by a review of the information, and this review is only one such perspective on implementing a Trauma II Center at NMC. In our opinion the most important variable in implementing a Trauma II Center at NMC will be the ability of NMC management to contain costs, negotiate favorable payer contracts, maintain flexible staffing, and keep to an implementation schedule.