

NEW HOSPITAL OPERATOR, SAME CONTRACT

NantWorks, a Culver City company controlled by billionaire physician Patrick Soon-Shiong, has bought majority ownership of Integrity Healthcare, which operates Seton Medical Center/Seton Coastside and five other Verity hospitals.

NUHW is monitoring the situation and will keep all members apprised of any new developments.

In the meantime, rest assured that all the terms and conditions laid out in our contract remain in full force and effect.

For more information about the sale and about NantWorks and Patrick Soon-Shiong, see the *Los Angeles Times* at right.

And as always, please don't hesitate to contact your NUHW steward with any questions or concerns.

In Unity,
Your NUHW Steward Council



Patrick Soon-Shiong's NantWorks to take over six California hospitals

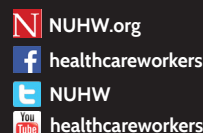
By James Rufus Koren
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NantWorks, the Culver City company controlled by billionaire physician Patrick Soon-Shiong, has taken over the operator of half a dozen California hospitals, including St. Vincent Medical Center near downtown Los Angeles and St. Francis Medical Center in Lynwood.

NantWorks acquired a controlling stake in Integrity Healthcare, which in 2015 took over management of six hospitals from the struggling nonprofit Daughters of Charity Health System. The hospital chain now goes by the name Verity Health.

The deal, which closed June 30, marks yet another expansion of Soon-Shiong's healthcare

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NantWorks to take over six California hospitals

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holdings — which include companies developing cancer therapies, genetic testing and other medical technology. It also could advance his other healthcare initiatives, including using artificial intelligence to help devise personalized treatments for patients.

“I’ve spent the last decade of my life quietly building this infrastructure,” he told *The Times*. “This [hospital] system will provide an experiment at scale.”

So far, Soon-Shiong’s initiatives — specifically genomic testing — have gotten limited buy-in from doctors, hospitals and insurers. NantHealth, the Soon-Shiong controlled company that offers those tests, had orders for just 365 of them in this year’s first quarter and 326 in the last quarter of 2016.

Gerald Kominski, director of the UCLA Center for Health Policy Research, said getting into the hospital business could give those initiatives a boost

“It makes sense to me that this would be a way to guarantee faster adoption of some of the products of some of his companies,” Kominski said. “The ability of a hospital administrator to dictate clinical practice is limited, but that doesn’t mean there’s no influence.”

Soon-Shiong has tried to get into the hospital business before. In 2013, he made an unsuccessful bid to buy St. John’s Health Center in Santa Monica. The hospital, formerly owned by a Denver-based Catholic healthcare system, was instead acquired by hospital chain Providence Health & Services.

The following year, Providence said it would use genomic sequencing technology to help select cancer treatments and named Soon-Shiong as its global director for cancer services and bioinformatics. But last year, Providence spokeswoman Colleen Wadden said the company “ultimately decided against a formal business relationship” with Soon-Shiong.

Soon-Shiong, one of the city’s wealthiest residents, made a multibillion-dollar fortune in the pharmaceutical industry and now has wide-ranging business and philanthropic interests around Los Angeles.

He provided a \$100-million guarantee to help underwrite the

reopening of Martin Luther King Jr. Community Hospital in South L.A., which replaced the closed King/Drew medical center. He also owns a small stake in the Los Angeles Lakers and is the second-largest shareholder in Los Angeles Times parent company Tronc Inc.

But this is his first business foray into hospitals and direct patient care. It’s not unfamiliar territory, though: It was at St. Vincent 24 years ago that Soon-Shiong, a surgeon by training, implanted the first artificial pancreas in a human.

“I would drive there at night and perform pancreas transplants and retrievals,” he said. “Back then, that hospital was in its prime.”

Now, he said, St. Vincent and its sister hospitals are in dire need of hundreds of millions of dollars’ worth of new equipment and other upgrades, including new imaging equipment and updated neonatal intensive care units.

“I spent all of yesterday walking through floors and floors of operating rooms to see what we can do,” Soon-Shiong said Tuesday. “There’s going to be a huge capital need. There’s been little investment because these hospitals could not afford it — could hardly keep the doors open.”

Along with physical upgrades, Soon-Shiong said he plans to bring new and improved services to the hospitals, including expanded oncology, transplant, orthopedic and cardiology services.

The hospitals had struggled financially for years and were approaching bankruptcy when the nonprofit Daughters of Charity Health System started looking for a buyer in 2014. Along with St. Vincent and St. Francis, the chain’s other four California hospitals are O’Connor Hospital in San Jose, St. Louise Regional Hospital in Gilroy, Seton Medical Center in Daly City and Seton Coastside in Moss Beach, a skilled nursing facility that also operates an emergency room.

Because of the hospitals’ locations in mostly low-income communities, and because they employed more than 7,000 workers in all, the sale process was closely watched by healthcare unions and by the California attorney general’s office, which had to approve the deal.

When Ontario’s Prime Healthcare offered to buy the hospitals for \$843 million, California’s then-Atty. Gen. Kamala Harris said she would approve the sale only if Prime promised to keep

all of the hospitals open for 10 years and provide the same level of charity care to poor patients as Daughters of Charity had.

Prime pulled out, calling the conditions “impossible,” and another bidder emerged: Integrity Healthcare, an entity created by New York hedge fund BlueMountain Capital Management.

Harris required Integrity to meet many of the same requirements that Prime had balked at, including maintaining staffing levels and services and keeping hospitals and emergency rooms open. The firm is required to submit annual reports to the attorney general’s office. Because NantWorks is buying a stake in Integrity, those terms are likely to remain in place.

In its first round of reports, submitted in October, Integrity said it has met the state’s requirements. Jane Brust, a spokeswoman for Verity, said all the hospitals’ emergency rooms remain open and that some hospitals now provide surgical specialties not previously offered.

The hospitals employ about 7,000 workers in all, down from about 7,600. Brust said the chain laid off some workers last year and eliminated some vacant positions.

Sean Wherley, a spokesman for healthcare union SEIU-United Healthcare Workers West, which fought Prime’s planned acquisition of the hospitals and backed the BlueMountain deal, said workers’ experience with Integrity “has been generally positive” and the union expects the same with Soon-Shiong in charge.

“We are hopeful that his involvement with Verity will bring much-needed investment in the hospitals,” Wherley said. “We have a strong collective bargaining agreement in place that will continue to provide job security and economic advancement for Verity employees, and we look forward to working collaboratively with Dr. Soon-Shiong’s team in improving the hospitals.”

Soon-Shiong said he began working to acquire a position in Integrity six months ago after local hospital executives approached him at a Lakers game.

Terms of the deal were not disclosed. Jim Pieri of BlueMountain, which is maintaining a minority stake in Integrity, said the deal with Soon-Shiong “marks an exciting opportunity for our health system to gain strategic access to next-generation technologies.”