



Lutheran Medical Center Summary Facts – September 2, 2008 (Prepared by a Concerned Community Member)

Who Owns These Hospitals?

Exempla, Inc. owns the assets of Exempla Lutheran Medical Center, Exempla Good Samaritan Medical Center, Exempla clinics and other facilities; those assets are governed by the Exempla Board of Directors. Exempla Saint Joseph Hospital (ESJH) is owned by the Sisters of Charity of Leavenworth Health System, (SCLHS) headquartered in Lenexa, Kansas; Exempla manages ESJH for SCLHS.

Exempla Healthcare (Exempla) was created in 1998 and is a not-for-profit, community-based organization. At its founding, Exempla owned and operated Exempla Lutheran Medical Center and operated Exempla Saint Joseph Hospital, both of which have more than a century of service in metro Denver. Exempla has since built Exempla Good Samaritan Medical Center, LLC in Lafayette; it opened in 2004.

Exempla Healthcare has two sponsors, also known as “members,” Community First Foundation (CFF) -- formerly known as the Lutheran Medical Center Foundation and the LMC Community Foundation, or LMCCF -- and the Sisters of Charity of Leavenworth Health System (SCLHS). CFF and SCLHS are governed by 14 member Boards of Directors and Exempla has a 16 member Board of Directors.

Who Wants To Buy Lutheran and Good Samaritan Hospitals?

The Sisters of Charity of Leavenworth Health System currently owns nine hospitals and four stand-alone clinics in California, Colorado, Kansas and Montana. SCLHS now wants to acquire both Lutheran and Good Samaritan medical centers by paying CFF \$311 million. If they are acquired by SCLHS, both hospitals will be required to operate under the Ethical and Religious Directives of the US Conference of Catholic Bishops, operating rules that mandate adherence to the practices and religious principles of the Catholic Church.

The Exempla board is opposed to the sale of the Lutheran and Good Samaritan hospitals to the Sisters of Charity of Leavenworth. After first attempting to negotiate with the Community First Foundation and Sisters of Charity of Leavenworth Health System to determine a mutually agreeable alternative, the Exempla board filed a suit against the Community First Foundation and the Sisters of Charity of Leavenworth Health Systems to keep SCLHS from acquiring Lutheran and Good Samaritan hospitals. A Denver court has since ruled that Exempla, CFF and SCLHS enter into arbitration. Exempla continues to oppose the transaction between CFF and SCLHS.

Community Heritage

Currently, under Exempla Lutheran and Good Samaritan medical centers are community-service hospitals and are non-sectarian, have no religious bias or restrictions, and serve all the people of our communities. All three Exempla hospitals have their own historic community heritage: Lutheran and Good Samaritan as non-sectarian and Saint Joseph as Catholic.

When Exempla Healthcare was created, it was written into the organizational documents and management agreement that each hospital's original founding heritage would be preserved without change. For Lutheran, it meant that Lutheran would continue its heritage of being a non-sectarian, community hospital. For Saint Joseph, it meant that Saint Joseph would continue to be a Catholic hospital and would follow the Catholic principles known as the Catholic Ethical and Religious Directives. Good Samaritan would remain a non-sectarian, community hospital.

Funding Issues

Under Exempla management, all operating income, money earned after-expenses by its hospitals, is re-invested directly into the community in the form of improvements to healthcare in the community. No operating income is expended on non-healthcare items. In 2007, the operating income earned by Lutheran before interest and depreciation and before losses of \$5 million from operations of the Exempla Physician Network, was \$37 million. It is these earnings that are being used to fund the construction and upgrades at Lutheran. No monies from the Sisters of Charity of Leavenworth Healthcare System are needed or are being used to accomplish these upgrades and preparations for the future.

If Lutheran and Good Samaritan medical centers are indeed acquired by the Sisters of Charity of Leavenworth Health System for the \$311 million paid to the Community First Foundation, CFF has stated that the monies will be used "to fund charities around the Denver area." This means that at least some of the monies will be used to fund non-healthcare items instead of staying in our local community to pay for healthcare upgrades and improvements exclusively.

In the final signed agreement between SCLHS and CFF, SCLHS has agreed to pay CFF \$250 million over a five-year period. The sponsors have also agreed to establish a \$61 million "debenture" that will provide approximately \$3 million in annual income to CFF and be payable in full only if Lutheran ceases to be operated as a non-profit, acute care hospital or if Exempla is sold.

Further, if the two hospitals are acquired by the Sisters of Charity of Leavenworth Health System, all earnings from Lutheran, Good Samaritan and Saint Joseph hospitals will belong to this Kansas management organization. Improvements to the three hospitals in Colorado will have to be approved by the board of directors of the Sisters of Charity of Leavenworth Healthcare System. And, in fact, SCLHS has said that whatever improvements SCLHS authorizes will be paid for from the operating income of the hospitals themselves. Lutheran will still have to pay its own way, just as it does today.

This information has been reviewed by Exempla Healthcare.