SETTLEMENT AGREEMENT - UMCSN

This Settlement Agreement ("Agreement") is made by and on behalf of the following entities: (i) CALIFORNIA HOSPITAL ASSOCIATION, a nonprofit corporation organized under the laws of the State of California, ("CHA"); (ii) UNIVERSITY MEDICAL CENTER OF SOUTHERN NEVADA in Las Vegas, Nevada (sometimes called "UMCSN" or the "Hospital") and (iii) DEAN L. JOHNSON and MICHAEL S. SORGEN, (collectively called the "Attorneys"). CHA, the Hospital, and the Attorneys are collectively referred to in this Agreement as the "Parties."

THIS AGREEMENT is made in light of the following facts:

1. AB 1383 and AB 1653 imposed a quality assurance fee on certain general acute care hospitals through and including December 31, 2010. The funds resulting from the collection of this fee were used to claim additional federal Medicaid funds which were then distributed to hospitals. The Parties have already settled their disputes with respect to the additional Medi-Cal funds available under AB 1383 and AB 1653 for the period through and including December 31, 2010.

2. On April 13, 2011, the Medi-Cal Hospital Rate Stabilization Act of 2011 and the Hospital Quality Assurance Fee Act of 2011 were signed into law (the "Acts"). The Acts provided for a hospital quality assurance fee program for the period from January 1, 2011 through June 30, 2011. The Parties have already settled their disputes with respect to the additional Medi-Cal funds available under the Acts for the period from January 1, 2011 through June 30, 2011.

3. On September 16, 2011, SB 355 was signed into law. SB 355 provides for a hospital quality assurance fee program ("QAF") for the period from July 1, 2011, through December 31, 2013 (the "30 Month QAF Extension"). The Hospital contends that it is entitled to the payment of Medi-Cal supplemental payments in connection with the 30 Month QAF Extension. CHA contends that the Hospital is not entitled to such payments. By this Agreement, the Parties desire to settle their disputes with respect to the payments owed the Hospital for the 30 Month QAF Extension.

4. This Agreement pertains to the above-named Hospital. There is a separate independent Agreement relating to the 30 Month QAF Extension for other out-of-state hospitals.
NOW, THEREFORE, the Parties agree as follows:

1. **Fee-for-Service Payments.** For the fee-for-service ("FS") component of the 30 Month QAF Extension, CHA shall pay the Hospital the aggregate amount of $463,498 (the "Aggregate FS Payment") in the following installments on or before the dates set forth below:
   a. For the period from July 1, 2011, through June 30, 2012, a payment on or before September 30, 2012, from CHA to the Hospitals in the amount of $185,399;
   b. For the period from July 1, 2012, through December 31, 2012, a payment on or before March 31, 2013, from CHA to the Hospitals in the amount of $92,700;
   c. For the period from January 1, 2013, through June 30, 2013, a payment on or before September 30, 2013, from CHA to the Hospitals in the amount of $92,700;
   d. For the period from July 1, 2013, through December 31, 2013, a payment on or before March 31, 2014, from CHA to the Hospitals in the amount of $92,700.

   The amounts set forth in this paragraph are based on an anticipated net benefit to California hospitals for the FS component of the 30 Month QAF extension ("Net FS Benefit") in the amount of $2,725,194,276. In the event the actual Net FS Benefit is less than $2,725,194,276, the Aggregate FS Payment shall be $463,498 multiplied by a fraction the numerator of which is the actual Net FS Benefit and the denominator of which is $2,725,194,276. The amount of the installment payments outstanding shall be adjusted to reflect any adjustment to the Aggregate FS Payment so that the payments made to the Hospital do not exceed the adjusted Aggregate FS Payment. The Net FS Benefit is determined in accordance with the methodology reflected in a schedule entitled "Hospital Provider Fee Proposal Sources and Uses Summary July 1, 2011 through Dec 31, 2013" previously provided by CHA to the Hospital, a copy of which is attached.

2. **Managed Care Payments.** The Centers for Medicare & Medicaid Services ("CMS") has not yet approved the managed care component of the 30 Month QAF Extension. If such approval is obtained, CHA shall pay the Hospital with respect to the managed care component of the 30 Month QAF Extension the following aggregate amount: \(^{19.418731\%}\) (which is the portion due UMCSN) times 0.000875849 (which is the agreed-upon payment rate) times the net QAF managed care benefit to California hospitals for the 30 Month QAF Extension ("Net MC Benefit")." The parties anticipate that the Net MC Benefit will be approximately $1,707,685,311, which will result in a payment of approximately $290,441 to the Hospital. The
Parties anticipate the QAF-funded managed care payments will be paid over time to the Medi-Cal managed care health plans, which will in turn make additional payments over time to California hospitals. The parties further anticipate that CHA will make payments to the Hospital within ninety (90) days of the date or dates on which the QAF funded managed care payments are made to the California hospitals by the managed care health plans.

3. **Trust Account.** All payments shall be made to the trust account of Dean L. Johnson, one of the attorneys for the Hospital, in trust for the Hospital.

4. **No Litigation by Hospitals.** Except as necessary to enforce this Agreement, the Hospital agrees that it will not bring any suit relating to the payment of monies to out-of-state hospitals under the 30 Month QAF Extension for the period from July 1, 2011, through December 31, 2013.

5. **No Litigation by Attorneys.** To the extent permitted by applicable laws, regulations, and rules, including but not limited to those promulgated by the State Bar of California, the Attorneys agree that they will not bring any suit on behalf of the Hospital or any other out-of-state hospital relating to the payment of monies to out-of-state hospitals under the 30 Month QAF Extension for the period from July 1, 2011, through December 31, 2013, except as necessary to enforce this Agreement or any similar agreement between CHA and out-of-state hospitals.

6. **No Admission of Liability.** This Agreement constitutes the settlement of disputed claims. It does not and shall not constitute an admission of liability by the Parties and shall not be used by any Party or any other person or entity in any litigation or proceeding for that purpose.

7. **Costs and Attorney’s Fees.** The Parties agree to bear their own costs and attorney’s fees in connection with the negotiation of this Agreement.

8. **Releases of Parties.** With respect to the 30 Month QAF Extension for the period from July 1, 2011, through December 31, 2013, each of the Parties (on behalf of their respective affiliates, parents, subsidiaries, shareholders, officers, directors, employees, agents, attorneys, predecessors, successors and assigns) hereby releases and discharges the other (and their respective affiliates, parents, subsidiaries, shareholders, officers, directors, employees, agents, attorneys, predecessors, successors and assigns) from any and all claims and causes of action, whether known or unknown, that have arisen as of the date of this Agreement or that may arise thereafter. Also with respect to the 30 Month QAF Extension for the period from July 1, 2011,
through December 31, 2013, each of the Parties acknowledges and expressly waives the
provisions of California Civil Code section 1542, which provides: "A general release does not
extend to claims which the creditor does not know or suspect to exist in his favor at the time of
executing the release, which if known by him, must have materially affected his settlement with
the debtor."

9. Release of State. With respect to the 30 Month QAF Extension for the period from July
1, 2011, through December 31, 2013, the Hospital (on behalf of its respective affiliates, parents,
subsidiaries, shareholders, officers, directors, employees, agents, attorneys, predecessors,
successors and assigns) hereby releases and discharges the State of California, including, but not
limited to, all of its officers, employees, agents, offices, agencies, and departments (including,
without limitation the California Department of Health Care Services and its Director) from any
and all claims and causes of action, whether known or unknown, that have arisen as of the date
of this Agreement or that arise thereafter.

10. Successors and Assigns. This Agreement shall be binding and inure to the benefit of the
Parties and their respective successors and assigns.

11. Counterparts. This Agreement may be signed in counterparts, each of which shall be
deemed an original. This Agreement may only be amended in writing, which amendment may
also be signed in counterparts.

12. Further Assurances. The Parties agree to execute and deliver any additional papers,
documents and other assurances, and take all acts that are reasonably necessary to carry out the
intent of this Agreement.

13. Mutual Contribution. This Agreement was drafted by both of the Parties and, thus, shall
not be construed against any Party because that Party initially drafted any particular provision.

14. UMCSN. The Parties acknowledge that this Agreement will have to be approved in a
public meeting by the Clark County, Nevada, Board of County Commissioners sitting as the
UMCSN Board of Hospital Trustees, for it to be effective upon UMCSN, and that as part of that
process that this Agreement will be disseminated on the internet and discussed at one or more
public meetings.

15. Confidentiality. The Parties acknowledge that information about this Settlement
Agreement may already be in the public domain and may be further in the public domain due to
the mandatory disclosures that Clark County (aka UMCSN) will need to make for this
Agreement to be validly approved under Nevada law. Nonetheless, the Hospital agrees to use its best efforts to keep the terms of this Settlement Agreement confidential. No Party or intended third-party beneficiary, however, shall be entitled to an award of damages for a breach of this confidentiality provision. For any such breach of this Agreement, the sole remedy shall be to seek an injunction (i.e., a court order ordering a party to stop breaching the Agreement).

16. Third Parties. The State of California, including, but not limited to, the California Department of Health Care Services and its Director, are intended third-party beneficiaries of this Agreement.

17. Duplicate Signatures. For all purposes relevant to this Agreement, a signature delivered by facsimile or electronically shall be deemed to be an original signature.

18. Effective Date. This Agreement shall be immediately binding upon all signatories to it.

WHEREFORE, the Parties have executed this Agreement as of the dates set forth below.

CALIFORNIA HOSPITAL ASSOCIATION

Dated: __________________________

______________________________
C. Duane Dauner,
President and Chief Executive Officer

HOSPITALS

Dated: __________________________

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Brian Brannman,
University Medical Center of Southern Nevada

ATTORNEYS

Dated: __________________________

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Dean L. Johnson

Dated: __________________________

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Michael S. Sorgen

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