

**HEALTH DISCIPLINE  
PROSPECTIVE NEW CLIENT RISK ASSESSMENT FORM – Page 1**

**Prospective Client Name:** Seton Healthcare Family

**Lead Consultant:** Jill Herbold

**Principal:** Art Wilmes

**Type of Client Entity**

Governmental/public (Type: _____)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Core business is risk-taking (Type: <u>health insurance</u> )	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Stock company or other for-profit:		
Publicly traded (Stock exchange listing: _____)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Subsidiary (Parent: _____)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Other (Description: _____)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Non-profit or other (Type: _____)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**Screening and Risk Assessment Questions**

- (a) Is there evidence of a questionable background or history associated with either the owners (for stock companies, other than publicly traded corporations) or the management/trustees? This includes criminal or other questionable backgrounds, association with prior bankruptcies, history of being sued in connection with business / financial practices, or lack of experience or competence in the field. ☐ NA<sup>(1)</sup> ☒ No ☐ Other
- (b) Financial stability and capitalization: ☒ NA<sup>(2)</sup> ☐ No ☐ Other
- Existing entity: Has the company been financially unstable, does it currently operate with inadequate capital/surplus, or can it otherwise be reasonably expected to face a precarious financial position?
  - Start-up: Is the company inadequately capitalized or can it otherwise be reasonably expected to face a precarious financial position?
- (c) Is the entity currently, or has it been within the past five years, under court or regulatory oversight? ☒ NA<sup>(2)</sup> ☐ No ☐ Other
- (d) If the work involves an actuarial statement of opinion for a regulatory filing, did the previous actuary depart either voluntarily or involuntarily? ☒ NA<sup>(3)</sup> ☐ No ☐ Other
- (e) Is there a history of suing professionals or evidence of litigiousness, based on the information obtained through client screening or conflict checking? ☒ No ☐ Other

- (1) Mark "NA" only if the prospective client is a governmental / public entity.  
(2) Mark "NA" only if the core business of the prospective client is *not* risk-taking.  
(3) Mark "NA" only if work does not involve an actuarial statement of opinion for a regulatory filing.

**FORWARD COPY OF SIGNED FORM TO CORPORATE LEGAL STAFF**

(include copy of terms and conditions, if a "Conditioned Acceptance")

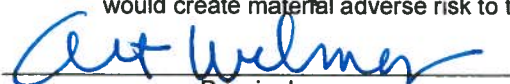
**HEALTH DISCIPLINE**  
**PROSPECTIVE NEW CLIENT RISK ASSESSMENT FORM – Page 2**

**Prospective Client Name:**        **Seton Healthcare Family**

**Client Risk Assessment Statement**

1.    **Standard Acceptance** – I have undertaken a risk assessment of this prospective new client, and affirm that:

- (a) Client screening has been completed by Milliman corporate staff, no material adverse findings are present, and the screening results are documented in the files;
- (b) Answers to Screening and Risk Assessment Questions (a) – (e) on Page 1 are all "NA" or "No";
- (c) Sufficient information to make this risk assessment has been assembled and is documented in the files; and
- (d) I have assessed the risk to Milliman of this prospective client, and I am not aware of any factors that would create material adverse risk to the Firm.

  
Principal

6/20/2014  
Date

2.    **Non-Acceptance** – I have undertaken a risk assessment of this prospective new client, and based on those results have declined or chosen not to pursue an engagement.

\_\_\_\_\_  
Principal

\_\_\_\_\_  
Date

3.    **Conditioned Acceptance** – I have undertaken a risk assessment of this prospective new client, and affirm that:

- (a) Client screening has been completed by Milliman corporate staff, the screening results have been provided to the Health Practice Director, and they are documented in the files;
- (b) A comprehensive written explanation addressing each of the Screening and Risk Assessment Questions (a) – (e) for which the answer is "Other" has been provided to the Health Practice Director and is documented in the files;
- (c) Sufficient information to make this risk assessment has been assembled, such material has been provided to the Health Practice Director, and it is documented in the files;
- (d) The prospective client is willing to accept all standard provisions of Milliman's CSA (or alternative wording and provisions acceptable to the Health Practice Director and either the Chief Risk Officer or the ERC or Board, whichever is appropriate, under the circumstances of a "qualified acceptance");
- (e) I have assessed the risk to Milliman of this prospective client, recognize that certain adverse risk factors are or may be present, and believe that they can be adequately managed; and
- (f) I have received written permission from the Health Practice Director to accept the client, with accompanying terms and conditions for undertaking any engagement (copy to be attached).

\_\_\_\_\_  
Principal

\_\_\_\_\_  
Date

**From:** [Jill Herbold](#)  
**To:** [Susan Simonson](#)  
**Subject:** FW: SETON HEALTHCARE FAMILY SCREEN RESULTS  
**Date:** Tuesday, June 17, 2014 12:13:33 PM  
**Attachments:** [Seton Healthcare D&B Report.pdf](#)  
[image001.png](#)

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**Jill Herbold** | Consulting Actuary | [jill.herbold@milliman.com](mailto:jill.herbold@milliman.com)  
**Milliman** | Chase Tower/Circle | 111 Monument Circle, Suite 601 | Indianapolis, IN 46204-5128 | USA  
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**From:** [sharepoint@milliman.com](mailto:sharepoint@milliman.com) [mailto:[sharepoint@milliman.com](mailto:sharepoint@milliman.com)]  
**Sent:** Saturday, June 14, 2014 2:11 PM  
**To:** Jill Herbold  
**Cc:** Bryan Rivard; Brandy Wilson  
**Subject:** SETON HEALTHCARE FAMILY SCREEN RESULTS

This is to inform you that your client screening request has been completed by Grant Huling (Contractor)

	<b>Seton Healthcare Family</b>
<b>Request Date:</b>	<b>05-30-2014</b>
<b>Requestor:</b>	<b>Jill Herbold</b>
<b>Discipline:</b>	<b>Health</b>
<b>Company Name:</b>	Seton Healthcare Family
<b>On High Risk Client List? :</b>	No
<b>A.M. Best Rating :</b>	N/A
<b>Moody's Rating :</b>	Aa2 (High quality; very low credit risk) Outlook: Stable Assigned to Ascension Health Alliance
<b>D&amp;B Credit Score Class :</b>	5 (High risk of severe payment delinquency over the next 12 months)
<b>D&amp;B Financial Stress Class :</b>	3 (Medium risk of severe financial stress over the next 12 months)
<b>WorldCheck Rating :</b>	N/A;
<b>Ownership :</b>	

Seton Healthcare Family ("SHF") (a.k.a. Seton Family of Hospitals; Seton Healthcare; Seton) is a Roman Catholic-affiliated hospital network in the greater Austin, TX area. Our client is a member of Ascension Health Alliance, a not-for-profit health organization based in St. Louis, MO.

## Officers :

I profiled the officers named below using the LexisNexis database as well as online news resources. Results are inconclusive for Mr. Garza due to the commonness of his name. I find suits naming him in connection with Seton, however.

In 2000, Ms. Burroff and another individual were involved in a dispute over a plot of land. Two other individuals sought to enforce a lien and foreclose on them for non-payment of a debt note. The final outcome of the dispute is not available, but a trial court held that “the note was transferred... an unexplained gap in ownership occurred [and] the original note was lost.” This finding served Ms. Burroff and her co-defendant, who sought to prevent foreclosure by arguing that the plaintiffs “lacked any enforceable interest” in the note in question. (*Patton v. Teets*, 2000 Tex. App. LEXIS 454, 2000 WL 45650 [Tex. App. Austin Jan. 21, 2000]) Mr. Jones has been named as a defendant in a suit against Ascension Health, in his capacity as a director there.

I find no other evidence that Ms. Burroff or Mr. Jones has been involved in litigation, professional misconduct, or criminal activity.

- **CEO:** Jesús Garza
- **SVP Legal Services, General Counsel:** Teresa Burroff
- **SVP, Chief Administrative Officer, Corporate Responsibility Officer:** Trennis Jones

Biographies of the members of SHF’s leadership team are available here:

[http://www.seton.net/about\\_seton/seton\\_leadership\\_team/](http://www.seton.net/about_seton/seton_leadership_team/)

## Prior Health Risk Assessment :

### Noteworthy News :

A scan using Factiva and Google News produces a range of items mentioning SHF, as could be expected of the largest private employer in Central TX. It is notable that the group is currently part-way through a three-year restructuring. I have found nothing that would seem to directly, adversely affect SHF’s continuing suitability as a client, such as evidence of financial stress or criminal wrongdoing.

- **October 2013:** SHF announced the theft of an employee laptop, containing unencrypted data on 5,500 patients. This includes “name, address, phone number, date of birth, Seton medical record number, patient account number, some Social Security numbers, diagnosis, immunizations and insurance information.” An April 2014 article on a medical privacy blog notes four other significant data breach incidents at the group (see link). (Sources: *PHIprivacy.net*, 29 April 2014, accessible here: <http://www.phiprivacy.net/tx-computer-containing-patient-data-stolen-from-seton-healthcare/>; *Health IT Security*, 23 October 2013, accessible here: <http://healthitsecurity.com/2013/10/23/seton-healthcare-family-announces-unencrypted-laptop-theft/>)
- **July 2013:** SHF announced it was laying off “dozens” of employees, and cutting hours for others. The organization also said it would bonuses for top-level executives and cut incentive pay for working on the weekend. (Source: *KLBJ*, 15 July 2013, accessible here: <http://www.newsradioklbj.com/News/story.aspx?ID=2004987>)
- **June 2013:** SHF subsidiary Seton Health Alliance, an accountable care organization,

and UnitedHealthcare announced they were collaborating to provide coordinated health care to Central Texas residents enrolled in UnitedHealthcare's employer-sponsored health plans. (Source: *UnitedHealthcare press release, 27 June 2013, accessible here:*

[http://www.uhc.com/news\\_room/2013\\_news\\_release\\_archive/central\\_texas\\_aco.htm](http://www.uhc.com/news_room/2013_news_release_archive/central_texas_aco.htm))

- **May 2013:** SHF announced service cuts and unspecified job cuts as part of a \$350 million “shift in resources” to occur over the next several years. (Source: *Austin Business Journal, 2 May 2013, accessible here:* [http://www.bizjournals.com/austin/blog/morning\\_call/2013/05/seton-plans-job-cuts-consolidation.html](http://www.bizjournals.com/austin/blog/morning_call/2013/05/seton-plans-job-cuts-consolidation.html))
- **August 2011:** Providers associated with SHF each received Medicare incentives worth \$18,000 from the Centers for Medicare and Medicaid Services after successfully attesting for meaningful use in Austin, TX. (Source: *BusinessWire, 22 August 2011, accessible here:* [http://www.businesswire.com/news/home/20110822005427/en/Seton-Healthcare-Providers-Austin-Receive-Maximum-Medicare#.U5tNp41dV\\_k](http://www.businesswire.com/news/home/20110822005427/en/Seton-Healthcare-Providers-Austin-Receive-Maximum-Medicare#.U5tNp41dV_k))
- **October 2002:** SHF announced plans to build a “replacement” to Brackenridge Hospital, a City of Austin-owned facility that SHF had operated and leased from the city since 1995. This caused some controversy, as many saw it as a “privatization” of the hospital. Former Austin City Manager joined SHF in December 2002, as president and CEO of a new division; many saw this as a coup for SHF, ahead of a potential legal conflict with the city over Brackenridge and its new construction project. (Source: *Austin Chronicle, 6 December 2002, accessible here:* <http://www.austinchronicle.com/news/2002-12-06/109420/>)

Our client's news page is available here: [http://www.seton.net/about\\_seton/news/](http://www.seton.net/about_seton/news/)

#### **Litigation History :**

A search using LexisNexis and online news resources produces evidence of around two dozen suits in which “Seton Healthcare” or “Seton Medical Center” has been a named party. Most of these are billing or malpractice-related disputes involving individuals. I have found nothing that seems serious or relevant enough to adversely affect our ongoing engagement with SHF.

Note that I have not profiled each medical facility and subsidiary operating under the SHF umbrella, though I would be glad to expand my search if you would like.

#### **Comments :**

SHF screens well in most areas of my research. I have found no litigation or news items that would seem to adversely affect SHF's suitability as a client. Leadership screens well, though it has been involved in some litigation of a not-particularly-relevant nature.

Dun & Bradstreet has assigned SHF a Credit Score Class of “5” and a Financial Stress Class of “3.” Historically, 53.10% of firms in this credit class have had one or more payments be severely delinquent. SHF's poor credit rating is well-founded, since the group has 241 vendor payment experiences recorded. The health system has 2 suits, no liens, and no judgments recorded.

If SHF were a prospective client, I would advise a retainer due to its credit rating. The group may have maintained a strong payment record throughout its engagement with Milliman, however. I leave the question of how to best proceed to your judgment. Please

let me know if there is anything else that I can do to be of help.

Grant

NOTE: Please do not reply to this automated notice.

**SETON HEALTHCARE**

D-U-N-S® 07-849-5868

Headquarters(Subsidiary)  
1201 W 38th St,  
Austin, TX 78705  
Website: [www.seton.net](http://www.seton.net)

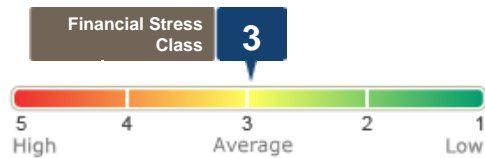
Phone 512 324-1000  
Fax 512-324-1924

**Advanced Scoring Report**

Purchase Date: 06/13/2014  
Last Update Date: 04/29/2014  
Attention: Grant Huling

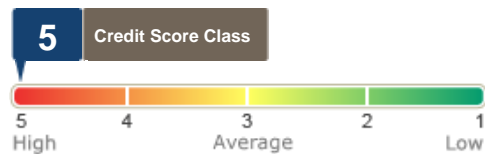
**Executive Summary****Company Info**

Year Started	1900	Employees Here	400 at this location
Control Year	1900	Trade Styles	(SUBSIDIARY OF ASCENSION HEALTH, SAINT LOUIS, MO)
CEO	CHARLES BARNETT, CEO		
Employees	5,741	Sales (Financial Statement)	\$1,916,974,994

**Predictive Analytics****Financial Stress Class**

The Financial Stress Class of 3 for this company shows that firms with this class had a failure rate of 0.24% (24 per 10,000).

Financial Stress Class	3
Financial Stress Score	1,453
Highest Risk	1,001
Lowest Risk	1,875

**Credit Score Class**

The Credit Score class of 5 for this company shows that 53.10% of firms with this classification paid one or more bills severely delinquent.

Credit Score Class	5
Credit Score	405
Highest Risk	101
Lowest Risk	670

**D&B Rating**

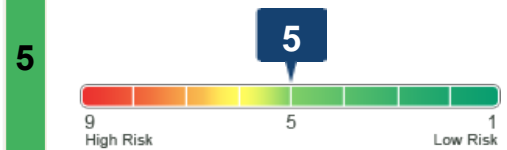
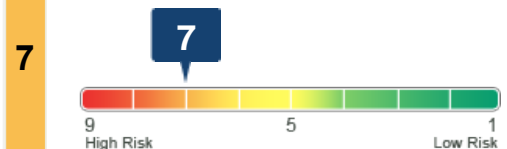
D&amp;B Rating

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**D&B Viability Rating**

D&amp;B Viability Rating

5 7 B Z

**Viability Score****Portfolio Comparison****Data Depth Indicator****Company Profile**

Z

Subsidiary

**Business Information**



Decide with Confidence

**Business Summary**

Branch & Division	YES
Financing	SECURED
SIC	8062 General hospital
NAICS	622110 General Medical and Surgical Hospitals
History Status	CLEAR

**Credit Capacity Summary**

D&amp;B Rating

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Prior D&B  
Rating

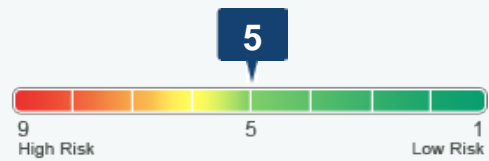
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Rating Date 10/07/2013

Payment Activity  
(based on 241 experiences) USDAverage High  
Credit \$25,820Highest  
Credit 1,000,000Total Highest  
Credit 5,685,000**D&B Viability Rating**

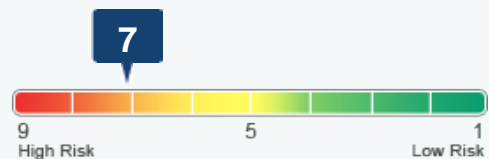
The D&B Viability Rating uses D&B's proprietary analytics to compare the most predictive business risk indicators and deliver a highly reliable assessment of the probability that a company will no longer be in business within the next 12 months.

5

**Viability Score****Compared to All US Businesses within D&B Database:**

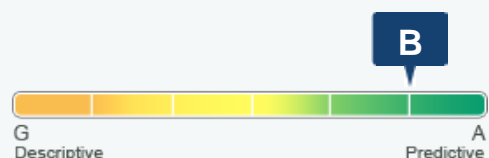
- Level of risk: **Low Risk**
- Businesses ranked 5 have a probability of becoming no longer viable: **7%**
- Percentage of businesses ranked 5: **14%**
- Across all US businesses, the average probability of becoming no longer viable: **14%**

7

**Portfolio Comparison****Compared to all Businesses within the same MODEL SEGMENT:**Model Segment: **Established Trade Payments**

- Level of risk: **High to Moderate Risk**
- Businesses ranked 7 within this model segment have a probability of becoming no longer viable: **7%**
- Percentage of businesses ranked 7 within this model segment: **14%**
- Within this model segment, the average probability of becoming no longer viable: **5%**

B

**Data Depth Indicator****Data Depth Indicator Details:**





Decide with Confidence

- ✓ Rich Firmographics
- ✓ Extensive Commercial Trading Activity
- ✓ Basic Financial Attributes

Greater data depth can increase the precision of the D&B Viability Rating assessment.

You have the ability to influence the confidence of the viability assessment by asking the business to report more information to D&B at <https://iupdate.dnb.com/iUpdate/>

Z

## Company Profile

## Subsidiary

## Industry Data

## SIC

Code	Description
80620000	General medical and surgical hospitals

## NAICS

Code	Description
622110	General Medical and Surgical Hospitals

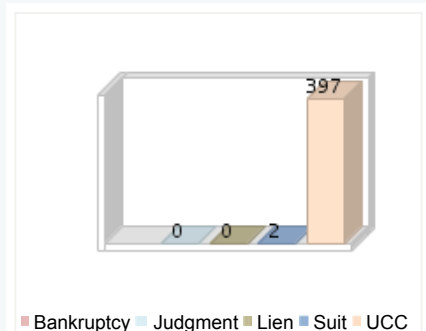
## Indicators

## Public Filings Summary

The following data includes both open and closed filings found in D&B's database on this company

Record Type	No. of Records
Judgment	0
Lien	0
Suit	2
UCC	397

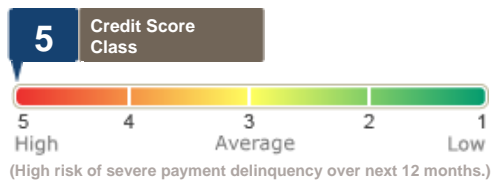
## Public Filings



## Commercial Credit Score

## Summary

## Credit Score Class



## Incidence of Delinquent Payment

Among Companies with This Class	53.10%
Average Compared to All Businesses	10.20%
Credit Score Percentile	8
Credit Score	405
Number of Payment Experiences	241

## Key Factors

- Proportion of past due balances to total amount owing
- Increase in proportion of delinquent payments in recent payment experiences
- Proportion of slow payments in recent months
- Higher risk industry based on delinquency rates for this industry

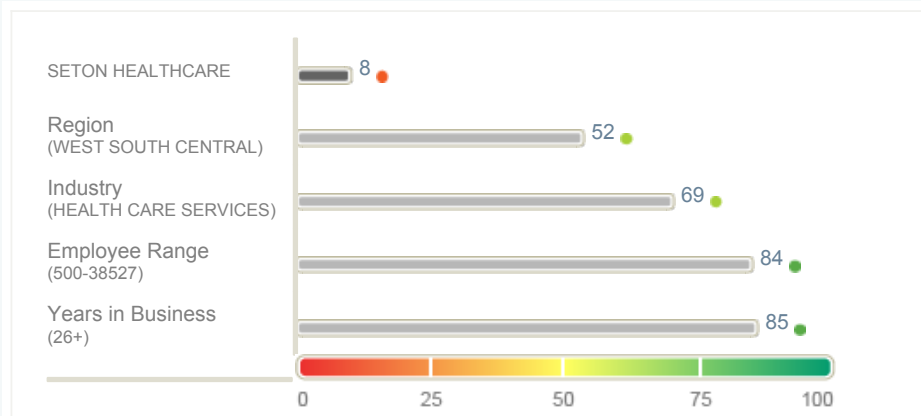


## Decide with Confidence

## Notes:

- The Credit Score Class indicates that this firm shares some of the same business and payment characteristics of other companies with this classification. It does not mean the firm will necessarily experience delinquency.
- The Incidence of Delinquent Payment is the percentage of companies with this classification that were reported 91 days past due or more by creditors. The calculation of this value is based on D&B's trade payment database.
- The Credit Score Percentile reflects the relative ranking of a firm among all scorable companies in D&B's file.
- The Credit Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.

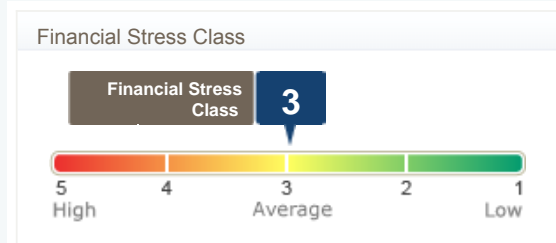
## Credit Score Percentile Norms Comparison



- Higher risk than other companies in the same region.
- Higher risk than other companies in the same industry.
- Higher risk than other companies in the same employee size range.
- Higher risk than other companies with a comparable number of years in business.

## Financial Stress Score

## Summary



## Financial Stress Score Percentile

Financial Stress National Percentile	36
Financial Stress Score	1453
Probability of Failure with This Score	0.24%
Failure per 10K	24/10,000
Average Failure Rate within D&B database	0.48%
Failure per 10K	48/10,000
Number of Payment Experiences	241

## Key Factors

- UCC Filings reported.
- High proportion of past due balances to total amount owing.
- Low proportion of satisfactory payment experiences to total payment experiences.
- High number of inquiries to D&B over last 12 months.
- High proportion of slow payment experiences to total number of payment experiences.

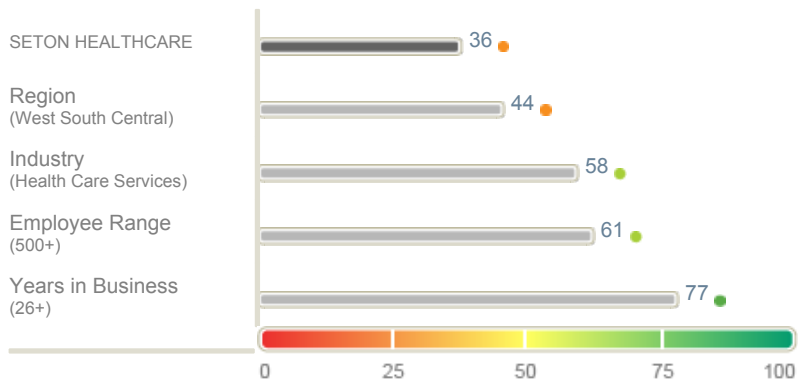
## Notes:

- The Financial Stress Class indicates that this firm shares some of the same business and financial characteristics of other companies with this classification. It does not mean the firm will necessarily experience financial stress.
- The probability of failure shows the percentage of firms in a given percentile that discontinue operations with loss to creditors. The average probability of failure is based on businesses in D&B's database and is provided for comparative purposes.
- The Financial Stress National Percentile reflects the relative ranking of a company among all scorable companies in D&B's file.
- The Financial Stress Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.

## Financial Stress Percentile Comparison



## Decide with Confidence



- Higher risk than other companies in the same region.
- Higher risk than other companies in the same industry.
- Higher risk than other companies in the same employee size range.
- Higher risk than other companies with a comparable number of years in business.