

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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From: 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)

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

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/

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)

- **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)
- **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)
- **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/

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

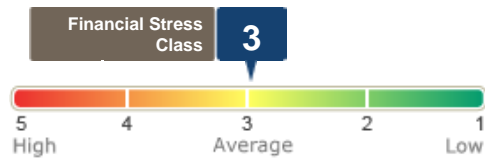
Phone 512 324-1000
Fax 512-324-1924

Advanced Scoring Report

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

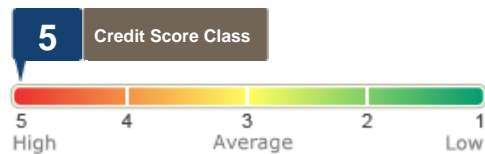
Executive Summary**Company Info**

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

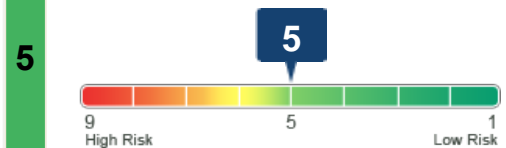
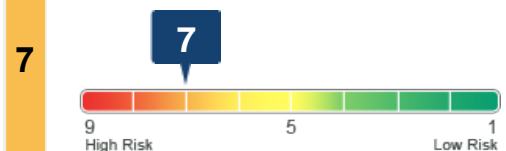
D&B Rating

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D&B Viability Rating

D&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&B Rating

--

Prior D&B
Rating

--

Rating Date 10/07/2013

Payment Activity
(based on 241 experiences)

USD

Average High
Credit

\$25,820

Highest
Credit

1,000,000

Total Highest
Credit

5,685,000

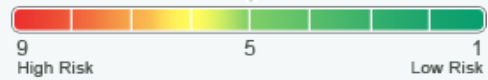
D&B Viability Rating

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

5

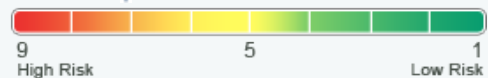
**Compared to All US Businesses within D&B Database:**

- 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

7

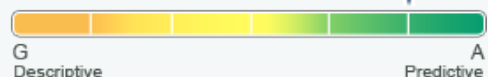
**Compared to all Businesses within the same MODEL SEGMENT:**Model Segment: **Established Trade Payments**

- 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

B

**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

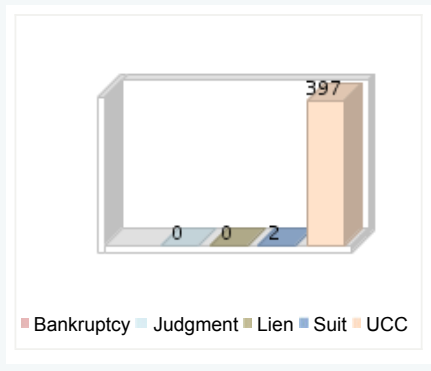
Indicators

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

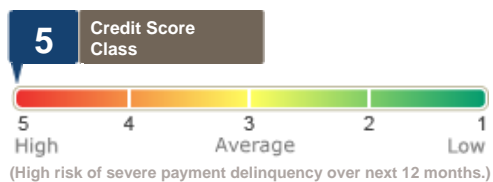
Public Filings



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

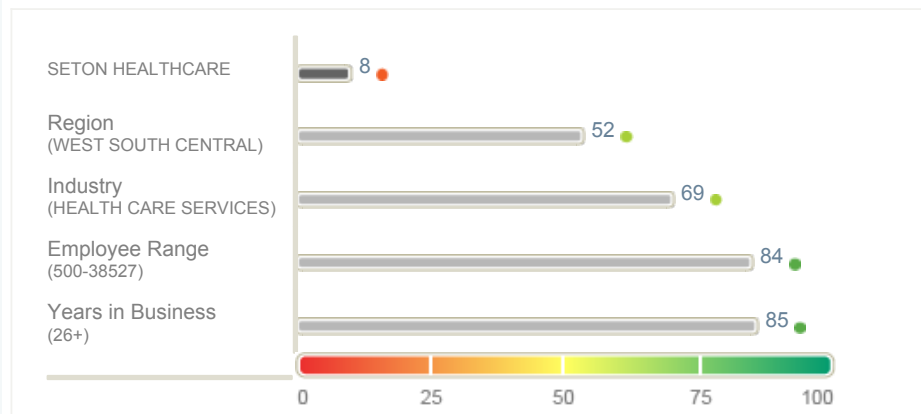


Decide with Confidence

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.

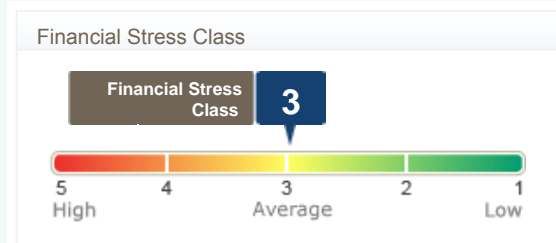
Credit Score Percentile Norms Comparison



- 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.

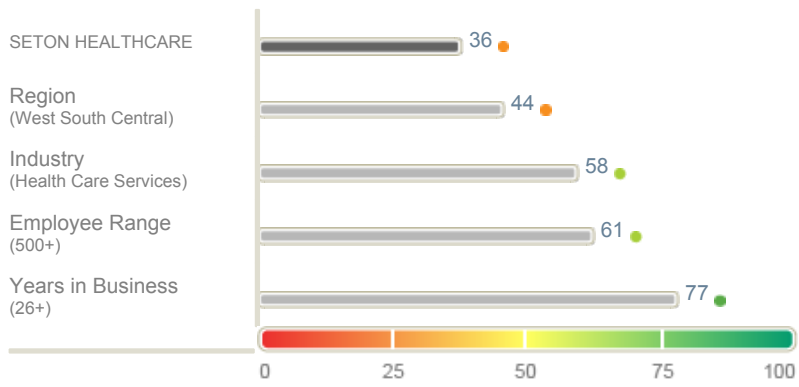
Notes:

- 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.