

BOLING COMPANY

Legal and Consulting Services
for Healthcare and Business

PROPOSALS FOR AFFILIATION

WASHINGTON COUNTY REGIONAL MEDICAL CENTER

FALL 2014 AFFILIATION PROCESS

On October 8, Boling & Company released, on behalf of Washington County Regional Medical Center, a request for proposals to potential affiliate partners.

This RFP set forth the up-to-date criteria WCRMC would consider in selecting such a partner, including the type of affiliation proposed, the partner's willingness to invest capital, the partner's clinical and operational initiatives, and the cultural compatibility between the partner and WCRMC.

Parties Receiving RFPs:

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| • Georgia Regents Health | • Pioneer Health Services |
| • University Hospital | • ER Hospitals |
| • Health Tech Management Services | • Hospital Corporation of America |
| • Community Hospital Corporation | • Health Tech Management Services |
| • Navicent Health | |

UNIVERSITY HOSPITAL – MANAGEMENT AGREEMENT

Fast facts	Five-year management agreement to operate WCRMC, with “without cause” early termination options for both parties. University will provide full-time, on-site CEO, COO and CNO with costs passed through to WCRMC. Additional management fee not exceeding \$10,000/month.
Financial commitment and investment in Washington County	No intended capital investment. Open to discussing a line of credit using Extended Care Facility as collateral, or to purchasing the Extended Care Facility. Operating cash flows will be available to be reinvested in Washington County.
Clinical initiatives and physician recruitment/retention	Recruitment/retention through training programs, including designation as Magnet Hospital for nursing. High-ranking for patient safety and the following specialties: cardiology, endocrinology, GI, geriatrics, GYN, nephrology, neurology, orthopedics, pulmonology, urology. >15 Healthgrades Five Star ratings.
Patient attraction, reduction of out-migration, and branding/marketing	Aims to move patients to Wash. County market through swing beds, less complex surgical procedures and short acute-care stays. Affiliation with University McDuffie Hospital has produced “marked” increases in McDuffie’s daily census and emergency room visits.
Commitment to hospital employees	All employees outside of CEO, COO and CNO will remain employees of WCRMC, if retained. However, the possibility of downsizing to match current and expected future patient volumes is not ruled out.
Access to care for indigent and disadvantaged patients	Under University’s management, WCRMC will continue to provide to the community access to affordable and charitable care. In 2013 at similarly situated University McDuffie Hospital, \$3.8M in indigent and charity care was provided, representing 14.4% of gross revenue.
Local activism and cultural compatibility	After much dialogue with the Authority Board, WCRMC management and community leadership, University is convinced the two organizations share a similar mission and set of values.
Meaningful input into local governance	Under the proposed management agreement, the local Authority Board, in collaboration with University, will continue to be responsible for the strategy and direction of the hospital. The senior management provided by University will develop and implement plans subject to the review of the Authority Board.
Legal compliance	University is not subject to a corporate integrity agreement, a settlement agreement with a governmental entity, or any other legal directive affecting its operations. The management agreement would not be subject to the Georgia Hospital Acquisition Act.

ER HOSPITALS – MANAGEMENT AGREEMENT

Fast facts	Five-year management agreement. During the first year, ERH will receive fixed fee of \$35,000/month. Thereafter, ERH may elect for risk-based fee: first \$35,000 of EBITDA, if any, then 50 percent of remaining EBITDA. ERH responsible for day-to-day operations; some administrators will serve multiple ERH facilities.
Financial commitment and investment in Washington County	Working line of credit anticipated. Amount of credit line TBD. ERH will have the option to lease or purchase WCRMC after the first year.
Clinical initiatives and physician recruitment/retention	Combining resources within network of ERH hospitals in Georgia: WCRMC, Emanuel (Swainsboro), Dorminy (Fitzgerald), Candler (Metter). ERH management services to include supply efficiency, staffing, medical staff activities, physician coordination, credentialing, case management, and more.
Patient attraction, reduction of out-migration, and branding/marketing	No specific response.
Commitment to hospital employees	ERH will make all hiring/termination decisions; establish all wages, salaries and compensation; establish staffing levels, individual work hours, personnel policies and employee benefit programs.
Access to care for indigent and disadvantaged patients	No specific response.
Local activism and cultural compatibility	No specific response.
Input into local governance	No specific response.
Legal compliance	The proposed management agreement would not be subject to the Georgia Hospital Acquisition Act. There will be an option for ERH to lease WCRMC after one year; any lease agreement would comply with the Act.

HEALTH TECH MANAGEMENT SERVICES - CONSULTING

Fast facts	Consulting services; terms and pricing to be determined. Possible services include administration/board leadership, financial administration, clinical services administration, medical staff development, revenue cycle management, supply chain management, HR management, strategic planning, group purchasing.
Financial commitment and investment in Washington County	No capital investment anticipated.
Clinical initiatives and physician recruitment/retention	Access to executive and physician recruitment and interim staffing services provided as needed at competitive pricing.
Patient attraction, reduction of out-migration, and branding/marketing	No specific response.
Commitment to hospital employees	No specific response.
Access to care for indigent and disadvantaged patients	No specific response.
Local activism and cultural compatibility	No specific response.
Input into local governance	No specific response.
Legal compliance	Consulting arrangement would not be subject to the Georgia Hospital Acquisition Act.

COMMUNITY HOSPITAL CORPORATION – MANAGEMENT AS PATHWAY TO LEASE

Fast facts	24-month management period during which long-term lease will be considered by both parties. The fee will be \$35,000/month with \$10,000/month "at risk," i.e. retained by WCRMC and forfeited if CHC does not enter lease within 18 months. Local tertiary partner will be sought in conjunction.
Financial commitment and investment in Washington County	No capital investment anticipated. CHC's track and mission is to optimize their clients' credit-worthiness. As part of its annual business plan and budget process, CHC will develop with local leadership a capital budget to support growth and development of the hospital.
Clinical initiatives and physician recruitment/retention	Through local tertiary provider, will explore physician alignment models. Physician retention will be achieved through one or more of the following: representation on the governing board, development of an informal Physician Leadership Group, employment models, and practice support models.
Patient attraction, reduction of out-migration, and branding/marketing	Will use the hospital's own brand and image to market the hospital locally. Will showcase and build awareness of the new tertiary partnership, new services as they may occur, physicians and new technology, clinical performance as well as quality improvements.
Commitment to hospital employees	It is assumed that all continuing employees at WCRMC will retain their commensurate compensation levels, accrued benefits for length of service and comparable benefit plans. In the event that adjustments are needed, CHC's corporate policy regarding Compensation Philosophy / Practices will be utilized.
Access to care for indigent and disadvantaged patients	Four-part process: 1) Review and update, as needed, the operational assessment previously completed by CHC; 2) conduct a community needs assessment; 3) implement a medical staff development plan to better understand critical recruitment needs; 4) identify potential service line needs and growth strategies.
Local activism and cultural compatibility	Since its inception, CHC remains a not-for-profit company whose sole mission is to help community-based hospitals remain community-operated and governed. This mission permeates CHC, from its recruiting and hiring practices through the way employees/executives are evaluated.
Input into local governance	During the management phase, the existing local Board maintains control over WCRMC governance. Upon effectuation of a lease relationship, a local community Board would be appointed and would govern the organization less certain reserve power that would be negotiated as part of the lease arrangement.
Legal compliance	CHC has a compliance program with a compliance officer who reports to the Audit and Compliance Committee of the CHC Board of Directors. CHC works with each CHC hospital organization in the operation of their compliance program.

PIONEER HEALTH SERVICES – MANAGEMENT AGREEMENT

Fast facts	Five (5)-year management agreement with significant control retained by the Hospital Authority. Management fee will be \$35,000/month plus CEO compensation and benefits. Pioneer will provide CEO and will take all necessary actions to stabilize hospital operations.
Financial commitment and investment in Washington County	No capital investment anticipated.
Clinical initiatives and physician recruitment/retention	Services will include departmental efficiency review, service line development, physician recruiting and alignment, revenue cycle management.
Patient attraction, reduction of out-migration, and branding/marketing	No specific response.
Commitment to hospital employees	All employees except CEO will remain under control of WCRMC.
Access to care for indigent and disadvantaged patients	No specific response.
Local activism and cultural compatibility	No specific response.
Input into local governance	Pioneer will seek approval of the Board for all appropriate actions, which approval may not unreasonably withheld.
Legal compliance	Management agreement would not be subject to the Georgia Hospital Acquisition Act.

POSSIBLE TERTIARY PARTNERS

Georgia Regents Health System – Dr. William Kanto has expressed Augusta-based GRHealth's interest in a tertiary partnership, advancing WCRMC's clinical and operational needs without any change in management.

Hospital Corporation of America – HCA operates multiple hospitals in Georgia, including Doctor's Hospital in Augusta. HCA's Tiffany Nelson has indicated HCA is interested in a tertiary partnership connecting WCRMC with HCA's network of hospitals and its collective group purchasing power.

Key Features of Tertiary Partnership:

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| <ul style="list-style-type: none">• Group purchasing advantages• Patient coordination including use of swing beds• Physician recruitment and alignment• Telemedicine | <ul style="list-style-type: none">• Possible supplement to lease/management agmt. with 3rd party• Case management assistance• Specialty services not offered at WCRMC |
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