

# New Hanover County Partnership Advisory Group

Meeting #10

March 5, 2020



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# APPROVAL OF MINUTES

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# RFP NON-DISCLOSURE AGREEMENT LOG

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# RFP DISTRIBUTION LIST TRACKER

Contacted by Navigant	Declined to Participate	Indicated Potential Interest	Requested NDA	Executed NDA
2 Organizations	12 Organizations	8 Organizations	1 Organization	9 Organizations
<p>Google</p> <p>WakeMed</p>	<p>Advocate Health Care</p> <p>Carilion Clinic</p> <p>Cleveland Clinic*</p> <p>Geisinger</p> <p>Haven</p> <p>Intermountain Healthcare</p> <p>Johns Hopkins Medicine</p> <p>Juniper Advisory</p> <p>Kaiser Permanente</p> <p>Mayo Clinic</p> <p>Universal Health Services (UHS)</p> <p>Virginia Mason</p>	<p>AGRA Capital</p> <p>Ascension Health</p> <p>BlueCross BlueShield of North Carolina</p> <p>Citi on behalf of Vidant Health</p> <p>Cone Health</p> <p>Flagstone Heritage</p> <p>Hospital Acquisition Services</p> <p>Pontus Capital</p>	<p>Sentara Healthcare</p>	<p>Atrium Health</p> <p>Bon Secours Mercy Health</p> <p>Duke Health</p> <p>HCA Healthcare</p> <p>LifePoint Health</p> <p>Novant Health</p> <p>Optum</p> <p>UNC Health Care</p> <p>Trinity Health (MI)</p>

\*Cleveland Clinic declined to participate after executing NDA



# LONG-RANGE FINANCIAL PLAN RECAP

# SUMMARY OF FINDINGS

- NHRMC has generated strong revenue growth and stable margins over the past decade, exceeding industry averages
- Management forecasts continued strong revenue growth but with a decline in future margins, but still above 'A' category median levels assuming cost savings are achieved
- Addressing robust regional growth is a strategic imperative, requiring significant capital spending
- Capital spending outpaces operating cash flow, thus stressing the balance sheet
- This period of stress occurs at a time when hospitals face increasing industry uncertainty and risk such as potential threats identified, CON repeal, payor mix trends and other potential challenges
- Under the current structure it is very challenging and potentially meaningfully more expensive to execute the strategic plan outside the County, therefore not likely a viable option
- One alternative is to increase property taxes; up to 21% to fund existing financial gaps and up to 68% including potential threats



## RANGE OF OPTIONS

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	No Change Governance/ No New Partnership(s)	No Change Governance With New Contractual Partnership(s)	Change in Governance/ No New Partnership(s)	Change in Governance with New Contractual Partnership(s)	Change in Governance with New Minority JV or Equity Partnerships	Change in Governance with New Majority JV or Equity Partnerships	Sale or Full Merger
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	<b>Structure:</b> Hospital-centric	<b>Structure:</b> Hospital-centric	<b>Structure:</b> System	<b>Structure:</b> System	<b>Structure:</b> System	<b>Structure:</b> System	<b>Structure:</b> Integrated with majority partner
<b>Access Capital to Fund Growth &amp; Transition to Value</b>	<ul style="list-style-type: none"> <li>No new flexibility to borrow</li> <li>No new access to capital from partner</li> </ul>	<ul style="list-style-type: none"> <li>No new flexibility to borrow</li> <li>Partner brings access to capital based on agreement terms</li> </ul>	<ul style="list-style-type: none"> <li>New flexibility to borrow</li> <li>No new access to capital from partner</li> </ul>	<ul style="list-style-type: none"> <li>New flexibility to borrow</li> <li>Partner brings access to capital based on agreement terms</li> </ul>	<ul style="list-style-type: none"> <li>New flexibility to borrow</li> <li>Minority partner brings access to capital based on agreement terms</li> </ul>	<ul style="list-style-type: none"> <li>New flexibility to borrow</li> <li>Majority partner brings access to capital based on agreement terms</li> </ul>	<ul style="list-style-type: none"> <li>Owner controls borrowing</li> <li>Owner brings access to capital based on agreement terms</li> </ul>
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- **Change in governance options:** parent company, hospital authority, community private not-for-profit
- **Contractual partnership examples:** Contractual agreement(s) for clinical services, clinical integrated networks, co-mgmt. agreements, management services agreements, lease arrangements
- **Minority partnership examples:** Service line joint ventures, joint venture support / management company, minority equity interest, joint operating agreement, joint operating company, lease arrangements
- **Majority partnership examples:** Majority ownership or equity into NHRMC system or entities within the system
- ▲ Areas of local control would be negotiated (e.g. physician contracts, service offerings)

# RANGE OF OPTIONS (1/3)

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# RANGE OF OPTIONS

## OPEN DISCUSSION



## KEY PROPOSAL ELEMENTS

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# KEY PROPOSAL ELEMENTS

## INTRODUCTION

- As the PAG evaluates RFP responses, it will be helpful to focus on key proposal elements (KPEs)
- Key proposal elements (KPEs) were identified during PAG discussions of governance & legal organization models, strategic needs, and long-range financial plans
- The Key Proposal Elements are not designed to be comprehensive of all questions asked in the RFP. Rather, they are designed to focus the PAG's initial review
- To facilitate discussion of the Proposals and the legal organizational models discussed in meeting 7, the PAG will receive a report-out that shows how each option addresses the KPEs
- The PAG will also receive the full Proposals and proposal summaries
- During today's discussion, the PAG will review and align on the KPEs

# KEY PROPOSAL ELEMENTS

## INITIAL DRAFT FOR DISCUSSION (1/2)

Goal & Objective	Key Proposal Element	Summary Approach: Extent to which the proposal addresses...
Improving Access to Care and Wellness	1. <b>Expansion &amp; Reconfiguration of Facilities</b>	Strategic Need(s): Expansion & Reconfiguration of Facilities
	2. <b>Ambulatory Network Development</b>	Strategic Need(s): Ambulatory Network Development
Advancing the Value of the Care	3. <b>ACO and Health Plan Development</b>	Strategic Need(s): ACO and Health Plan Development
	4. <b>Information Technology &amp; Digital Solutions</b>	Strategic Need(s): Transparency; Consumer-Friendly Technology; Telemedicine Adoption; Technology Platform
Achieving Health Equity	5. <b>Full-Scale Health Equity Program</b>	Strategic Need(s): Full-Scale Health Equity Program; Fulfills commitment to mission and serving all regardless of ability to pay
Supporting our Staff	6. <b>Avoiding Staff Shortages</b>	Strategic Need(s): Avoiding Staff Shortages
	7. <b>Developing and Recruiting Talent and Expertise</b>	Strategic Need(s): Developing and Recruiting Talent and Expertise
Partnering with Providers	8. <b>Provider Needs</b>	Strategic Need(s): Provider Needs
	9. <b>Engaging Independent Providers</b>	Strategic Need(s): Engaging Independent Providers
Driving Quality Care Throughout the Continuum	10. <b>Clinical Transformation</b>	Strategic Need(s): Evidenced-Based Protocols; Care Coordination Across the Continuum



# KEY PROPOSAL ELEMENTS

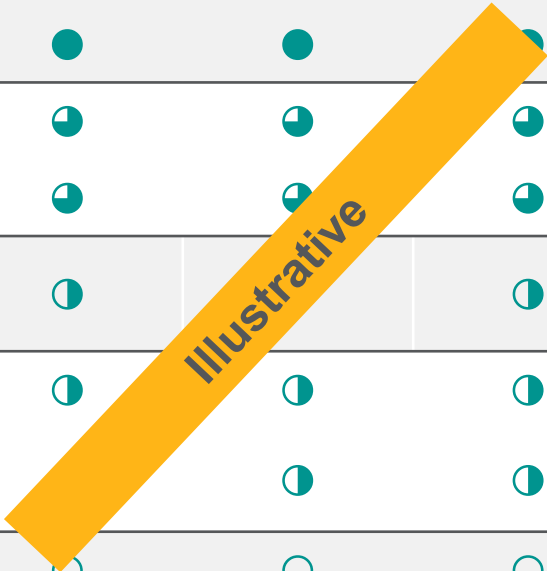
## INITIAL DRAFT FOR DISCUSSION (2/2)

Goal & Objective	Key Proposal Element	Summary Approach: Extent to which the proposal addresses...
Growing the Level and Scope of Care	11. Partnerships for Highly-Specialized Services	Strategic Need(s): Partnerships for Highly-Specialized Services
Investing to Ensure the Long-Term Financial Security	12. Financial performance benefits	Strategies to identify and capture synergies with potential partner and preserve key existing financial drivers
	13. Addressing financial gaps and threats	Ability to fund strategic plan to address NHRMC's existing financial gaps and potential threats
	14. Total financial consideration	Total financial consideration commensurate to proposed strategic partnership structure
Strategic Positioning	15. Integrated, Regional Health System	Strategic Need(s): Integrated, Regional Health System; Broader desire to positively impact region's economic status
Governance	16. Contemporary governance model	Barrier(s) identified by NHRMC BOT: Diplomatic Hurdles
	17. Control at the local level	Preservation of majority control of the organization at the local level
	18. Legal organizational model	Barrier(s) identified by NHRMC BOT: Growth Outside the County; Branding Inflexibility; Financing Opportunity; Investment Limitations; Scale Limitations

# KEY PROPOSAL ELEMENTS

## EXAMPLE SUMMARY APPROACH - ILLUSTRATIVE

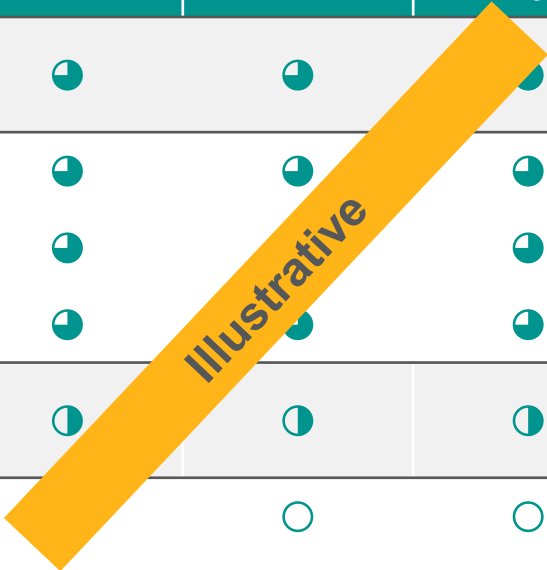
Goal & Objective	Key Proposal Element	RFP Questions Addressing KPE	Respondent #1	Respondent #2	Respondent #3
Improving Access to Care and Wellness	1. Expansion & Reconfiguration of Facilities	[to be completed]	●	●	●
	2. Ambulatory Network Development	[to be completed]	●	●	●
Advancing the Value of the Care	3. ACO and Health Plan Development	[to be completed]	◐	◐	◐
	4. Information Technology	[to be completed]	◐	◐	◐
Achieving Health Equity	5. Full-Scale Health Equity Program	[to be completed]	◐	◐	◐
Supporting our Staff	6. Avoiding Staff Shortages	[to be completed]	◐	◐	◐
	7. Developing and Recruiting Talent and Expertise	[to be completed]	◐	◐	◐
Partnering with Providers	8. Provider Needs	[to be completed]	○	○	○
	9. Engaging Independent Providers	[to be completed]	○	○	○
Driving Quality Care Throughout the Continuum	10. Clinical Transformation	[to be completed]	●	●	●



# KEY PROPOSAL ELEMENTS

## EXAMPLE SUMMARY APPROACH - ILLUSTRATIVE

Goal & Objective	Key Proposal Element	RFP Questions Addressing KPE	Respondent #1	Respondent #2	Respondent #3
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Investing to Ensure the Long-Term Financial Security	12. Financial performance benefits	[to be completed]	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	13. Addressing financial gaps and threats	[to be completed]	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	14. Total financial consideration	[to be completed]	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Strategic Positioning	15. Integrated, Regional Health System	[to be completed]	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Governance	16. Contemporary governance model	[to be completed]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	17. Control at the local level	[to be completed]	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	18. Legal organizational model	[to be completed]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



# KEY PROPOSAL ELEMENTS

## SUMMARY METHODOLOGY

●	Relative to other proposals received, this organization's response <u>addresses RFP questions related to this KPE in a compelling manner, demonstrating</u> (i) clarity of specific plans for NHRMC with qualitative and quantitative detail, (ii) clear qualifications demonstrating the ability to deliver on those specific plans, and (iii) the willingness to be commit to the community to deliver those specific plans.
◐	Relative to other proposals received, this organization's response <u>addresses RFP questions related to this KPE in a comprehensive manner, providing a good level of explanation on</u> (i) clarity of specific plans for NHRMC with qualitative and quantitative detail, (ii) clear qualifications demonstrating the ability to deliver on those specific plans, and (iii) the willingness to be commit to the community to deliver those specific plans.
◑	Relative to other proposals received, this organization's response <u>addresses RFP questions related to this KPE in an adequate manner, providing some but not enough explanation on</u> (i) clarity of specific plans for NHRMC with qualitative and quantitative detail, (ii) clear qualifications demonstrating the ability to deliver on those specific plans, and (iii) the willingness to be commit to the community to deliver those specific plans.
◒	Relative to other proposals received, this organization's response <u>does not address RFP questions related to this KPE in a clear manner, lacking sufficient explanation on</u> (i) clarity of specific plans for NHRMC with qualitative and quantitative detail, (ii) clear qualifications demonstrating the ability to deliver on those specific plans, and (iii) the willingness to be commit to the community to deliver those specific plans.
○	No response provided for this KPE.



## NEXT STEPS

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# NEXT STEPS

## PAG MEETINGS 11 – 14 AGENDAS

**Meeting #11; 3/19/2020**

### Confidential Respondent & Proposal Overview

#### Meeting Topics

1. Respondent Overview
2. Selected Information of Proposals Received
  - a) Transaction Structure
  - b) Financial Considerations
  - c) Scope of Proposal

*Pre-Read: NA*

*Meeting Material: Respondent Overview & Selected Proposal Information*

**Meeting #12; 3/26/2020**

### Preliminary Review of Confidential Proposals

#### Meeting Topics

1. KPE Summary Review
2. Establish Focus for Further Review

*Pre-Read & Meeting Material: KPE Summary*

**Meeting #13; 4/2/2020**  
**Meeting #14; 4/16/2020**

### Detailed Proposal Review

*3-hour Meetings*

#### Meeting Topics

1. Detailed Proposal Review for each Respondent
  - a) Review of proposal summary
  - b) Identification of follow-up and clarifying questions

*Pre-Read & Meeting Material: Abridged Proposal Summaries*

**PAG Homework: Unabridged Proposal Summaries**

### **Meetings Subject to NCGS 143-318.11 (a)(1) and (a)(3), further based on Section 131E-97.3**

- As part of the initial review of the proposals before they are finalized for posting, the PAG will be consulting with legal counsel for NHRMC and the County to address any portions of the proposals that may raise legal questions or that fall within exceptions to disclosure requirements under applicable North Carolina law. The PAG will also be working with the Support Team to identify points within the proposals for which further clarification or explanations may be needed, including issues and items falling within the scope of competitive healthcare information.
- As the PAG begins to engage in deliberations regarding the proposals, the PAG will be considering, discussing and addressing issues of a proprietary nature and matters that are competitive healthcare information under NCGS 131E-97.3, including discussions related to issues that may become points of negotiation as discussions with the Respondents continues. An important element of these deliberations will also involve the PAG reviewing these matters with counsel for NHRMC and the County. In order to protect the best interests of NHRMC, the County, and the community, it is critically important that such discussions be held in Closed Session in order to maintain NHRMC's and the County's ability to fairly and effectively engage with the Respondents regarding the proposals.



## CLOSING REMARKS

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# Thank You





# APPENDIX

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# WHAT WE ARE SEEKING

## PRIORITIZATION AND SEQUENCING

In developing the RFP, the PAG approved 10 sets of goals and objectives to support NHRMC in fulfilling its mission. From those goals and objectives, detailed questions were developed to determine how each proposal would impact that area of focus.

These goals and objectives address specific strategic needs for NHRMC as it works to prepare for continuing population growth and changes in the healthcare industry.

They fit into these five priorities:

1. Optimizing Governance and Organizational Structure
2. Accessing Capital to Fund Growth and Transition to Value
3. Expanding and Reconfiguring Geographic Footprint and Access Points of Care
4. Expanding Services and Offerings to Impact Health and Health Equity
5. Obtaining Operational Scale, Efficiency and Expertise

# KEY PROPOSAL ELEMENTS MAP TO NHRMC'S PRIORITIES

*The 18 KPEs map to NHRMC's priorities in the following way:*

