

New Hanover County Partnership Advisory Group

Meeting #17

September 9, 2020



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WELCOME



APPROVAL OF MINUTES



PROCEEDS DISCUSSIONS

INITIAL ALLOCATIONS FROM PROCEEDS

NHRMC Transition Stabilization Escrow - \$300 million

Liability Escrow (\$100M): non-assumed liabilities, wind-down expenses, tail coverage premiums

Team Investment and Resiliency Fund (\$200M)

County Revenue Stabilization Fund - \$300 million

Retirement of voter and non-voter approved debt

Reserve for unexpected emergency response needs

Reserve funds to address budget shortfalls during economic downturns

Reserve fund to minimize tax and fee increases in the future

Mental and Behavioral Health Fund - \$50 million

Substance abuse treatment programs

Sustained grant funding for evidence-based programs, e.g. Tides, Inc.

Expanding access to mental health services

PUBLIC BENEFIT COMMUNITY FOUNDATION FRAMEWORK

- \$1.25B estimated from transaction following “Initial Allocations”
- Establishes a community foundation to provide financial support to benefit all New Hanover County residents
- 11-member Board of Directors (5 appointed by County Commissioners and 6 appointed by local Hospital Board; not self-perpetuating)
- 2-year cooling off period for any Board of Trustees member or elected official to be able to serve on the foundation board
- The foundation, its bylaws and framework, are being established by the county *(it is not part of any negotiations with Novant Health, but is currently being worked on by the county and outside counsel to go alongside the definitive agreement)*
- The foundation would be a completely separate entity from NHRMC & the county

Community Endowment must remain consistent with the then-current New Hanover County Strategic Plan, and would initially support and promote the following:

- **Health and Social Equity**

- *Possible initiatives could include: eradicating food deserts, expanding access to physical and mental health clinics, funding an effective transit system, providing new senior citizen resources and services*

- **Education**

- *Possible initiatives could include: high quality universal pre-kindergarten, county-wide free broadband & technology access for all, scholarships for post-secondary education attainment, school facilities designed for mid-21st Century education delivery*

- **Community Development**

- *Possible initiatives could include: workforce housing trust fund, small business micro-loan program, Minority and Women Owned Business support programs, open space and public water access preservation*

- **Community Safety**

- *Possible initiatives could include: next generation 911 services, rapid response fire rescue and emergency medical services, community-led restorative justice programs, modern development and training of law enforcement, comprehensive flood, storm surge and wind mitigation investments*



ASSET PURCHASE AGREEMENT

THE ASSET PURCHASE AGREEMENT (APA) IS A BINDING AGREEMENT

*The Letter of Intent (LOI) is a term sheet that serves as the basis on which parties agree to use their **good faith, best efforts to discuss, negotiate and develop** the terms and conditions of a partnership*



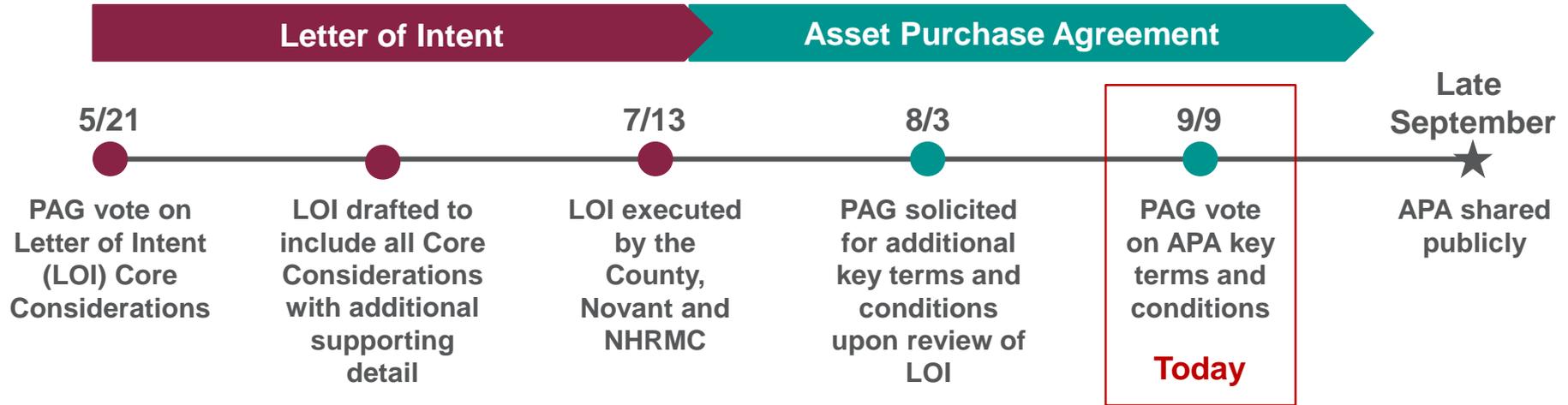
*The Asset Purchase Agreement (APA) is a definitive agreement that **binds all parties to the terms and conditions of a partnership**. The APA includes and further expands upon the LOI term sheet*

Letter of Intent	Key Agreement Terms	Asset Purchase Agreement
Non-Binding	Transaction Structure	Binding
Non-Binding	Purchase Price and Financial Commitments	Binding
Non-Binding	Covenants	Binding
Non-Binding	Risk Allocation and Indemnity	Binding
Non-Binding	Break Fee	Binding
Binding	Term of LOI (expires October 31, 2020)	N / A
Binding	Covenants to Use Good Faith Efforts	Binding
Binding	Confidentiality	Binding
Binding	Responsibility for expenses	Binding

THE APA FORMALIZES THE KEY BUSINESS TERMS FROM THE LOI

- The Asset Purchase Agreement describes **the terms on which Novant will purchase the health system assets owned by NHRMC and the County**, including the payment of the purchase price
- **The key business terms from the LOI will be formalized in the APA:**
 - Under the APA, the post-closing covenants reflected in the Schedules to Section 4 of the LOI are converted to **binding post-closing commitments** of Novant Health
 - The APA will also include, as applicable, additional details related to those commitments
- The APA also includes **standard representations and warranties** made by NHRMC and the County with respect to the health system and the assets being sold, and by Novant with respect to the transaction
- Additionally, the APA includes **customary terms and conditions** including supporting schedules and exhibits, provisions for making regulatory notices and approvals, terms governing pre-closing operational decisions, termination provisions, and closing conditions

THE LOI INCLUDED KEY TERMS AND CONDITIONS FOR ALL PAG CORE CONSIDERATIONS



The PAG's Core Considerations were included in the LOI with supporting key terms and conditions. Given the thoroughness of the LOI and no additional feedback received from the PAG, the PAG Support Team suggests approving the LOI Core Considerations and the relevant supporting detail from the LOI as PAG Deliverable #5.

The LOI is available to be viewed publicly here: <https://news.nhcgov.com/wp-content/uploads/2020/07/Fully-Executed-NHRMC-Letter-of-Intent-7.13.2020.pdf>

THE LOI INCLUDES TERMS AND CONDITIONS FOR EACH CORE CONSIDERATION (1/3)

Expand or maintain NHRMC's scope and level of care for indigent and low-income patients

LOI Schedule 4(c) Promoting Health Equity includes:

- Continuation or expansion of NHRMC's policies on charity and indigent care
- Prohibition on liens & wage garnishment

Provide teams and infrastructure to advance health equity

LOI Schedule 4(c) Promoting Health Equity includes:

- Expand and enhance community outreach programs & partnerships
- Develop and implement strategies to identify and address social determinants of health to help ensure all have a better chance to be well
- Support or enhance inclusion and diversity training programs

Enhance the scope, level and areas of services

LOI Schedule 4(a) Improving Access to Care and Wellness includes:

- Continue and grow services, developing services hub in region with increased access to primary and specialty care
- Continue support for Pender Memorial Hospital
- Provide telemedicine infrastructure and support
- Work with NHRMC to develop price transparency tools

THE LOI INCLUDES TERMS AND CONDITIONS FOR EACH CORE CONSIDERATION (2/3)

Grow medical education and other clinical training programs

LOI Schedule 4(e) Partnering with Providers includes:

- Proposed 25-year initial term for clinical affiliation between UNC Health, UNC School of Medicine and Novant Health
- Expand Graduate Medical Education programs and establish new fellowships at NHRMC
- Expand inter-professional education programs
- Collaborate on participation in clinical trials and population health studies

Provide local board governance of NHRMC

LOI Schedule 4(j) Governance includes:

- Establish community-based board of 15 trustees including a minimum of 12 community residents of the service area and at least 3 physicians with active privileges on Hospitals' medical staff
- Allow local board to nominate 2 trustees of the board to serve as trustees on Novant Health's parent governing board
- Establish NHRMC board retention of certain reserved powers over service lines, operational plans, workforce, physician contracts, and NHRMC leadership

Capital projects and commitments to expand services to the community

LOI Schedule 3 Purchase Price and Other Financial Consideration includes:

- Provide \$600MM to fund routine capital requirements in the 10 years following Closing
- Commit \$2.5B to fund strategic capital expenditures, including (i) the projects set forth in NHRMC's Strategic Master Plan, (ii) other strategic capital projects to be approved by the local Board, and (iii) other projects to be identified in the definitive documents

THE LOI INCLUDES TERMS AND CONDITIONS FOR EACH CORE CONSIDERATION (3/3)

Programs, resources, and technology to support high quality, affordable care

LOI Schedule 4(b) Advancing the Value of Care includes:

- Share value-based contracting expertise
- Support development of NHRMC's existing Medicare Advantage plan
- Provide access to patient satisfaction programs and resources

Protections for NHRMC staff employment and programs that support engagement, retention, and career development

LOI Schedule 4(d) Supporting and Maintaining Staff includes:

- Offer employment and retention of all NHRMC employees for minimum 24 months following Closing
- Provide enhanced compensation and benefits
- Include in diversity hiring resources
- Provide leadership training and education

Preservation of NHRMC medical staff's governance structure and existing agreements for some period of time

LOI Schedule 4(e) Partnering with Providers includes:

- Commit not to not make any material changes to
 - (i) privileges held by existing medical staff members,
 - (ii) existing medical staff bylaws, or
 - (iii) agreements with medical staff members (so long as compliant with applicable law)



CHARTER DELIVERABLE #5 DISCUSSION AND VOTE



NEXT STEPS

NEXT STEPS

NHRMC and New Hanover County will work with Novant Health to incorporate today's feedback and finalize the Asset Purchase Agreement (APA), targeting the following timeline for completion of major milestones:

Late September:

- The APA will be shared publicly at least 10 days in advance of a public hearing
- The County will host a public hearing on the draft APA

By Early October:

- The PAG will review and vote on support for the APA
- The NHRMC Board and New Hanover County Commissioners, respectively, will review and vote on approval of the APA

There are four upcoming forums!

UNCW Public Issues Forum	September 14
Community FB Forum	September 15
Providers and Practice Managers	September 23
Providers and Practice Managers	September 24

The public is invited to join community forums hosted by New Hanover County through its Facebook and/or submit a request for a forum through nhrmcfuture.org/speaker-request/ or novanthealth.org/novant-health/new-hanover/speaker-request.aspx

PAG and Novant Health representatives have participated in nine community forums since the July vote. Thank you to everyone who participated!



CLOSING REMARKS

Thank You