

New Hanover County Partnership Advisory Group

Meeting #18

September 29, 2020



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APPROVAL OF MINUTES



PARTNERSHIP EXPLORATION PROCESS MILESTONES

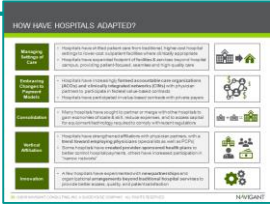
THE PAG ACCOMPLISHED A COMPREHENSIVE SET OF MILESTONES IN THE PARTNERSHIP EXPLORATION PROCESS

2019

2020

Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep

Understood NHRMC current state and healthcare industry transformation



Developed comprehensive Goals and Objectives and issues RFP



Developed proposal KPEs to evaluate value to NHRMC and the community

THE PAG HAS EVALUATED STATUS QUO AND SYSTEMCO VS. PARTNERSHIP OPTIONS USING KEY PROPOSAL ELEMENTS

Key Proposal Element	Status Quo	SystemCo	Partnership
Access	3	4	5
Value	3	4	5
Equity	3	4	5
Community Health	3	4	5
Workforce	3	4	5
Financial	3	4	5
Operational	3	4	5
Technology	3	4	5
Regulatory	3	4	5
Overall	3	4	5

Recommended strategic partnership with Novant Health, UNC, and UNC SOM



Evaluated NHRMC Strategic Outlook including impact of SystemCo

STRATEGIC NEEDS
SUM OF STRATEGIC NEEDS

The combined organizational complexity and financial investment of all strategic health initiatives NHRMC's ability to effectively address each of these elements of the responsibility

Strategic Need	Importance	Complexity	Financial	Readiness
Expansion & Reconfiguration of Facilities	High	High	High	Low
Enhanced Research Development	High	High	High	Low
Enhanced Patient Experience	High	High	High	Medium
Workforce Development	High	High	High	Medium
Health Plan Development	High	High	High	Medium
Community Engagement	High	High	High	Medium
Medical Education	High	High	High	Medium
Local Board Governance	High	High	High	Medium
Community Health Improvement	High	High	High	Medium
Health Equity	High	High	High	Medium
Population Health	High	High	High	Medium
Medical Education	High	High	High	Medium
Local Board Governance	High	High	High	Medium
Community Health Improvement	High	High	High	Medium
Health Equity	High	High	High	Medium
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Community Health Improvement	High	High	High	Medium
Health Equity	High	High	High	Medium
Population Health	High	High	High	Medium

Advanced LOI Core Considerations to improve access, value, and health equity

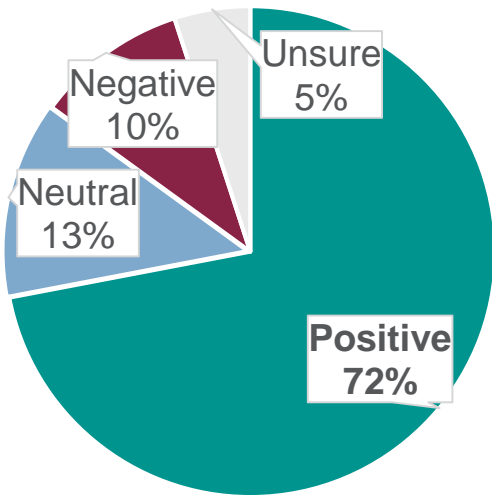
- PAG VOTE ON LOI CORE CONSIDERATIONS
- In an effort to ensure NHRMC continues to Lead our Community in Substantiating Health Improving access, value and health equity to our community we advance:
- Commitment to NHRMC's current charity and prudent care policy
 - Health Equity considerations
 - Enhance the scope, level and access of services
 - Medical education and other clinical training programs through an academic affiliation
 - Local Board Governance of NHRMC
 - Capital projects and investments to expand services to the community
 - Programs, resources, and technology to support high-quality, affordable care
 - Protections for NHRMC staff employment and programs that support engagement, retention, and career development
 - Preservation of NHRMC medical staff's governance structure and existing agreements for some period of time

Approved LOI Schedules as APA Key Terms and Conditions



OVERWHELMINGLY FAVORABLE SENTIMENT FROM COMMUNITY AT LARGE

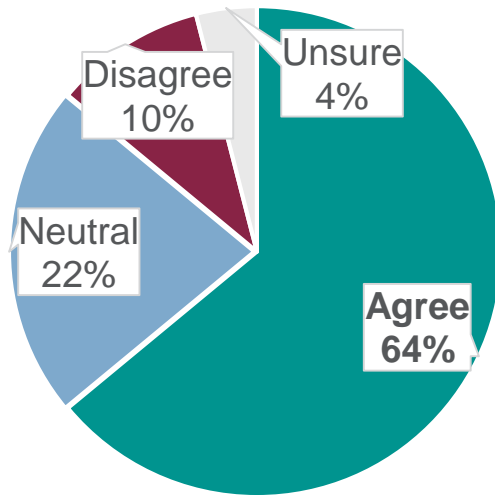
Overall Impact to Local Community



After learning more about how the potential partnership...do you believe the overall impact to the local community would be ... ?

72% believe that the overall impact to the community would be positive after learning more

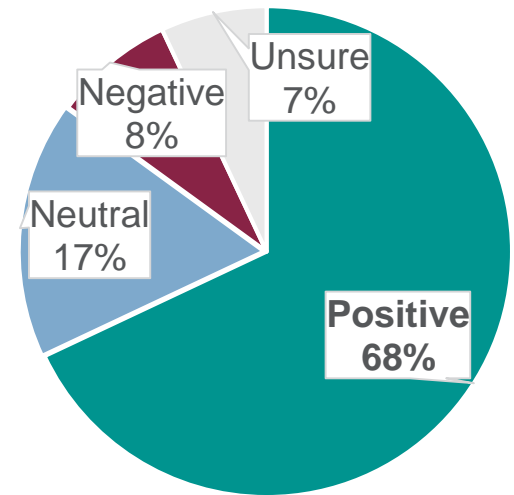
Needed to Support Rapid Growth in Region



NHRMC leaders have said...the county's hospital system can better support that growth with the backing of a larger partner. Do you agree or disagree with that statement?

64% agree that a partnership is needed to support rapid growth in the southeastern NC region

Positive Impact on Local Economy



Through the partnership, \$5 billion will be infused into the local healthcare system and New Hanover County...do you believe the overall impact to the local economy would be ... ?

68% feel that the \$5 billion...will have a positive impact on the local economy

Source: SurveyUSA on behalf of Novant Health conducted survey, in either English or Spanish, of 1,000 residents across 5 counties (New Hanover, Brunswick, Pender, Bladen & Columbus) Sep 2020



APA SUMMARY OF CORE TERMS AND COMMITMENTS

ASSET PURCHASE AGREEMENT OVERVIEW

New Hanover County, NHRMC and Novant Health signed a Letter of Intent on July 13, 2020 to negotiate a definitive agreement for Novant Health to purchase the assets of New Hanover Regional Medical Center (NHRMC) from New Hanover County and support NHRMC in providing healthcare to the region.

The detailed Letter of Intent reflected the priorities established by the Partnership Advisory Group (PAG) and the commitments requested by the PAG, NHRMC and physician leaders, and County officials. Since the Letter of Intent was signed, substantial due diligence has been conducted on behalf of NHRMC and Novant Health. The commitments have been further detailed in the Asset Purchase Agreement, which is now ready for public review and voting by the NHRMC Board of Trustees and the New Hanover County Board of Commissioners.

APA SUMMARY

ACCOMPLISHMENT OF GOALS AND OBJECTIVES (1/3)

Improving Access to Care and Wellness

- Support the growth of services in the region, as identified through assessment of needs and population trends
- Continue current services offered for no less than ten years
- Maintain NHRMC's commitment to Pender Memorial Hospital for at least three years
- Establish telemedicine platform within 18 months

Advancing the Value of Care

- Apply value-based health plan expertise to support NHRMC's programs to manage care and lower costs for local patients
- Provide access to resources to improve patient satisfaction within 18 months, and maintain NHRMC in top 10% nationally for patient satisfaction

Promoting Health Equity

- Continue and expand care provided to indigent and low-income patients
- Expand and enhance community outreach
- Expand and enhance efforts to address social determinants of health
- Commit to not use extraordinary debt collection practices

APA SUMMARY

ACCOMPLISHMENT OF GOALS AND OBJECTIVES (2/3)

Supporting and Maintaining Staff

- Provide stability for NHRMC employees by maintaining current position and salary for at least two years
- Provide comparable wage and benefits package for at least three years, with credit for years served
- Support diversity hiring and programs

Partnering with Providers

- Implement Novant Health's APP recruitment and retention services
- Maintain existing provider agreements for a minimum of three years

Driving Quality of Care

- Develop and implement best practices programs and other enhancements
- Improve access to emerging technology
- Position NHRMC to achieve Top 10% in the nation for quality

Growing the Level & Scope of Care

- Provide innovative care solutions and technologies
- Increase clinical research and grant-funding capabilities

APA SUMMARY

ACCOMPLISHMENT OF GOALS AND OBJECTIVES (3/3)

Strategic Positioning

- Develop and enter clinical affiliations and partnerships with other providers to create system hub in this region
- Fully integrate NHRMC into Novant Health's existing healthcare system

Expanded UNC Health & UNC School of Medicine Programs

- Keep and develop new residency and fellowship programs
- Collaborate on clinical trials and population health studies
- Expand the branch of the UNC School of Medicine and create a School of Allied Health
- Develop educational partnerships, children's clinical partnerships, and research and clinical trial infrastructure

APA SUMMARY

GOVERNANCE STRUCTURE

The APA provides for the incorporation of two new boards: Novant Health Coastal Region Board (“Local Board”) and NHRMC Newco Board (“Hospital Board”)

Novant Health Coastal Region Board (“Local Board”)

- Local Board will include 17 trustees, and two of the trustees will serve on the Novant Health board
- At least 12 of the trustees will live in service area, including at least 3 physicians
- **Local Board’s power shall include, but are not limited to:**
 - Approve elimination of any core clinical service line
 - Develop and recommend major operational plans
 - Oversee and recommend management accountability, evaluation and success
 - Approval of any material workforce reduction that would qualify as a “plant closing” as defined in 29 U.S.C. § 2101
 - Develop and approve annual operating and capital budgets
 - Oversee medical staff matters, including credentialing, adverse actions, and bylaws
 - Selection and engagement of hospital-based physicians
 - Approving or denying Novant Health’s sale or transfer of NHRMC to a for-profit system or, for 10 years, to a buyer other than a for-profit system

NHRMC Newco Board (“Hospital Board”)

- NHRMC Newco Board (Hospital Board) will be responsible for the oversight of conditions of participation and accreditation, including credentialing and privileging

APA SUMMARY

FINANCIAL COMMITMENTS (1/3)

Capital Contributions

- \$1.5 billion to New Hanover County, including \$100 million placed in escrow for two years, \$75 million of which will be released to the County after two years and the remainder of which will be released to the County after four years
- \$50 million to the NHRMC Foundation
- Novant Health Brunswick Medical Center to become part of the operations of NHRMC
- \$600 million to fund routine capital expenditures within the 10 years
- \$2.5 billion to fund strategic capital needs in region

APA SUMMARY

FINANCIAL COMMITMENTS (2/3)

Key Transaction Points

- Novant Health will acquire all assets of NHRMC related to the Healthcare Businesses:
 - Hospitals, practices, clinics and facilities
 - Interests in subsidiaries and joint ventures
- Novant will not acquire certain excluded assets, including, but not limited to, current or long-term assets not related to the business, privileged materials, provider and disaster relief funds, and rights to HITECH Payments for years ending prior to effective time of closing
- Novant will assume liabilities arising after Closing and working capital liabilities
- Excluded liabilities, including those relating to COVID-19 relief programs, employee pension plans, and finder or broker fees incurred in connection with the transaction, will remain as obligations of NHRMC and the County.
- County retains the right to repurchase the assets at fair market value for certain material breaches by Novant of its capital commitments or its commitments related to improving access to care and wellness and promoting health equity
- In the event of a breach of Sellers' representations and warranties, Novant's remedy is limited to the R&W insurance policy and, in the case of breach of a fundamental representation or an excluded liability, a general escrow account

APA SUMMARY

FINANCIAL COMMITMENTS (3/3)

Break Fee

- If Closing does not occur due to Novant's material breach, then Novant will be required to pay the \$25 million break fee to Sellers
- If Closing does not occur due to County's material breach, then County will be required to pay the \$25 million break fee to Novant, none of which shall be provided by NHRMC
- If Closing does not occur due to NHRMC's material breach, then NHRMC will be required to pay the \$25 million break fee to Novant, none of which shall be provided by County

APA SUMMARY

USE OF PROCEEDS

- The use of proceeds from the sale of NHRMC to New Hanover County is the discretion of New Hanover County Commissioners and outside the purview of Novant Health and its agreement with the County
- Through a majority vote on July 13, Commissioners approved the following preliminary allocation of funds, which will go for final approval by the Board with the presentation of the Asset Purchase Agreement

New Hanover County

- \$300 million paid to the County Revenue Stabilization Fund
- \$50 million paid to the Mental and Behavioral Health Fund

New Hanover Regional Medical Center

- \$200 million paid to the NHRMC Employee and Provider Resiliency Fund
- \$100 million paid into the General Escrow Account, to address trailing pre-Closing obligations

Public Benefit Community Foundation

- Approximately \$1.25 billion will be paid to a separate, newly created community-based foundation established by New Hanover County (“Foundation”)
- The Foundation’s operations will be overseen by a board consisting of 11 members, including five members appointed by County Commissioners and six appointed by the Local Board



CHARTER DELIVERABLE #6 DISCUSSION AND VOTE



THANK YOU!

THANK YOU TO THE PARTNERSHIP ADVISORY GROUP FOR ALL YOUR HARD WORK!

WHO WE ARE

21 COMMUNITY MEMBERS, NHRMC TRUSTEES, PHYSICIANS, COUNTY AND NHRMC LEADERSHIP

WHAT WE DID



- UNDERSTOOD THE CHARGE AS AN ADVISORY GROUP TO THE NHRMC AND COUNTY BOARDS
- REVIEWED THE CURRENT HEALTHCARE LANDSCAPE AND NHRMC'S STRATEGIC OUTLOOK
- DEVELOPED THE GOALS AND OBJECTIVES FOR THE PARTNERSHIP EXPLORATION PROCESS
- ASSESSED THE FEASIBILITY OF NHRMC REMAINING STATUS QUO OR RESTRUCTURING
- REVIEWED PROPOSALS AND ENGAGED WITH RESPONDENTS TO ASSESS PARTNERSHIP OPTIONS

18 PAG Meetings over 12 Months!

2 MEETINGS TO UNDERSTAND NHRMC AND THE INDUSTRY TRANSITION IN HEALTHCARE

4 MEETINGS TO DEFINE GOALS AND OBJECTIVES AND DEVELOP A RFP

4 MEETINGS TO UNDERSTAND RESTRUCTURING OPTION & STRATEGIC OUTLOOK

6 MEETINGS TO ASSESS THE PROPOSALS RECEIVED IN RESPONSE TO THE RFP

2 MEETINGS TO REVIEW LETTER OF INTENT AND ASSET PURCHASE AGREEMENT



And Countless Hours Spent on Homework and Reading Industry Articles and Information Shared by the Public

5 WORK GROUPS ASSESSING STATUS QUO, RESTRUCTURING, AND PARTNERSHIP



PUBLIC PRESENTATIONS BY EACH RESPONDENT TO THE PAG

12 SITE VISITS WITH THE RESPONDENTS TO UNDERSTAND FIT AND CONDUCT DUE DILIGENCE



TIME LISTENING TO THE COMMUNITY, NHRMC EMPLOYEES & PROVIDERS

BROUGHT INFORMATION TO THE PUBLIC **6** PROPOSALS + **32** SUPPLEMENTAL DOCUMENTS **160** PAGE ASSET PURCHASE AGREEMENT **3** FINALIST PRESENTATIONS **23** COMMUNITY & GROUP FORUMS IN **2** LANGUAGES **18** PAG MEETING DOCUMENTS **10** FEATURED VIDEOS **42** PAGE LETTER OF INTENT **+ GENERAL UPDATES THROUGHOUT**



SUPPORTED BY A MULTIDISCIPLINARY TEAM OF NHRMC AND COUNTY LEADERSHIP AND OUTSIDE ADVISORS



CLOSING COMMENTS

FROM PAG MEMBERS