

January 27, 1998

**THE BOARD OF COUNTY COMMISSIONERS
DURHAM, NORTH CAROLINA**

Tuesday, January 27, 1998

9:00 A.M. Worksession

(Deliberations on Proposals to Sell, Lease, or Manage the
Durham County Hospital Corporation)

MINUTES

Place: Commissioners' Room, second floor, Durham County Government
Administrative Complex, 200 E. Main Street, Durham, NC

Present: Chairman MaryAnn E. Black and Commissioners William V. Bell, Joe W.
Bowser, Becky M. Heron (arrived late), and Ellen W. Reckhow

Absent: None

Presider: Chairman Black

Chairman Black called the Worksession to order.

County Manager David F. Thompson reviewed the following agenda:

- I. Introduction/Review of Agenda
- II. Update on legal parameters of partnership proposals
 - Review of opinion on respective roles of DCHC Board of Trustees and Durham County Commissioners
 - Review of General Statutes concerning conveyances to for-profit entities
- III. Review of revised summary of submitted proposals
- IV. Review of financial considerations
- V. Review of guiding principles
- VI. Recommend course of action

County Manager Thompson said County Attorney Chuck Kitchen will update the Board on the legal parameters of the negotiations and any joint relationship that the Commissioners would have with the proposers. He will discuss the respective roles of the DCHC Board of Trustees and the Durham County Commissioners. Mr. Kitchen will also review General Statutes concerning conveyances to for-profit entities.

Phill Gessinger, Public Consulting Group Inc., will update the grid sheet concerning guiding principles.

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Mr. Gessinger will then give a summary of proposer presentations made to the County Commissioners at the January 13, 1998 Worksession.

Mr. Gessinger will review financial considerations and will summarize the financial proposals both in gross value and present net value over the terms of the proposals. The sources and uses of funds are listed on a summary sheet.

The guiding principles will be reviewed briefly to frame the Board's discussion of the recommended course of action to be proposed today.

The goal of this meeting is for the Board to narrow its focus and to narrow the number of proposals. We must move quickly toward verification of the remaining proposals.

As the final issue, the County Manager will present a recommended course of action.

Mr. Thompson called on County Attorney Kitchen to discuss General Statute 131E-13 which refers to the lease or sell of a hospital to a for-profit corporation.

Vice-Chairman Reckhow asked questions concerning the letter from Lincoln Community Health Center Inc. dated January 26, 1998.

County Attorney Kitchen responded to Vice-Chairman Reckhow's questions.

Chairman Black asked Attorney Kitchen to obtain additional information on the grant condition that was mentioned in the letter.

County Manager Thompson said the remainder of the meeting will be conducted as an open worksession. The Commissioners may ask questions or make comments at any time during the presentations.

Mr. Gessinger began the presentations with a review of the revised summary of submitted proposals (dated as of January 27, 1998) received from Health Management Associates Inc. (HMA), Duke University Medical Center (DUMC), University of North Carolina Hospitals, Tenet Health System, and Quorum Health Group Inc. (Quorum introduced a partnership option at the January 13, 1998 Commissioner meeting which was not included in this summary since the concept had not been fully detailed by Quorum in discussions with the Durham County Commissioners/Management.) To facilitate reviewing the offers, the summary was divided into three major categories of governance, operations, and finances.

County Manager Thompson assisted with the presentation by making comments.

Mr. Gessinger responded to Commissioner questions and comments.

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An overview of proposer presentations at the January 13, 1998 Worksession was organized into four sections per proposer:

- Summary of Proposal
- Highlights of Presentation
- Other Considerations
- Points for Consideration (PCG commentary)

Updated financial considerations for each of the proposers was shown in three sections:

- Introduction
- Executive Summary
- Detailed Financial Considerations

(PCG prepared the materials using each proposer's information and position as represented through their proposals and presentations of January 13, 1998. Further documentation and conversations between proposers and Public Consulting Group Inc. after the January 13, 1998 presentations were included as appropriate.)

(PCG prepared this information to provide County Management with a clear understanding of the financial implications of each of the proposals.)

Note: All transaction amounts were based on the June 30, 1997 audited DCHC financial statements. The amounts will be different at the closing date of the transaction based on the up-to-date financial position of the DCHC organization.

The main emphasis was on sources and uses of funds.

County Manager Thompson said the guiding principles must be better quantified as the Commissioners move forward.

Mr. Thompson said at the last meeting, the Commissioners stated they do not wish to operate the hospital. Therefore, he recommended that the Board narrow the field by eliminating the management contract proposals of Quorum and UNC Hospitals.

Mr. Thompson advised the Board not be persuaded by the financials for HMA, Tenet, and Duke University Medical Center. More work must be done on the remaining proposals with an in-depth analysis based on current financials.

In considering HMA, Tenet, and Duke University Medical Center, the Board must think about how to guarantee choice in a community-based hospital. Mr. Thompson had not decided which proposer would give choice and the desired services.

Mr. Gessinger said the Manager's short list is a strong one and makes the decision more difficult. The Board's decision has been condensed to three strong "players" that have presented very good proposals and options.

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Commissioners Reckhow and Bowser said they could support the County Manager's short list of HMA, Tenet, or Duke University Medical Center.

Chairman Black advised the Commissioners to present additional questions to the County Manager.

County Manager Thompson asked for empowerment so he will have authority to verify and negotiate the final proposals.

Commissioner Bell moved, seconded by Vice-Chairman Reckhow, that the Board adopt the recommended course of action as presented by the County Manager which includes the empowerment of the County Manager to continue due diligence with selected proposers, subject to the Board's approval.

The motion carried unanimously.

The recommended course of action follows:

<u>Timing</u>	<u>Action</u>
January 27, 1998	Complete discussions of the five proposers Reach a decision on reducing the proposer list to a maximum of three entities Authorize and empower the County Manager and Public Consulting Group Inc. to pursue due diligence with selected proposers
January 28 - February 18, 1998	Completion of verification and assessment of proposals by County Manager and Public Consulting Group Inc.
February 23 or 24, 1998	Recommendation by County Manager and Public Consulting Group Inc. as to preferred proposal based on Commission's Guiding Principles County Commission authorizes and empowers County Manager and Public Consulting Group Inc. to continue due diligence with selected proposer
February 24 - May 31, 1998	Due Diligence is conducted and completed
June 1998	Legal documents and definitive agreements are completed
July 1, 1998	DCHC operations are transferred to the new organization

County Manager Thompson informed that site visits will be made to the operations of the three proposers. The consultants are working on what the site visits will entail. There are two components—verification and negotiation of points and Commissioners talking on

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site to other elected officials that have been involved in these transactions. Commissioners must talk with the hospital administration. We must have a specific format.

Chairman Black said the Commissioners will discuss plans for the site visits.

County Manager Thompson said Commissioner questions should be in his office by Friday, January 30, 1998.

Adjournment

Chairman Black adjourned the meeting at approximately 11:35 a.m.

Respectfully submitted,

Garry E. Umstead, CMC
Clerk to the Board

GEU:VCS