



# Atrium Health

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## **New Hanover Regional Medical Center Asset Purchase Proposal**

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JUNE 17, 2020

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## ASSET PURCHASE PROPOSAL

Over the past several weeks, Atrium Health has listened intently to the local community, including leaders from the County Commission, New Hanover Regional Medical Center (“NHRMC”) and the Partnership Advisory Group.

We understand your imperatives to be:

- New Hanover County desires to sell its ownership interest in NHRMC
- Eradicating inequities of care in the region
- Dramatically improving access to behavioral health services
- A long-term commitment to enhancing and expanding medical education at NHRMC

Please find below a proposal outline that we believe is fully responsive to your imperatives and will advance health care and the vitality of the community for decades to come.

### **Atrium Health proposes the following alternative transaction terms:<sup>1</sup>**

- Atrium Health proposes to accomplish the transaction through a full acquisition asset purchase where Atrium Health becomes the sole corporate member of NHRMC.
- New Hanover County will receive \$2.0B of upfront consideration for the assets including:
  - a one-time upfront cash payment of \$200M to be remitted to New Hanover County at the closing of the transaction;
  - a \$250M donation to a controlled foundation to support NHRMC’s initiatives to eradicate disparities of care, dramatically improve behavioral health, and eliminate opioid addiction. Although many would say it is an audacious goal, we believe we can eliminate all disparities of care in the greater New Hanover region within ten years by creating such an endowment and investing the proceeds directly in the community;
  - \$120M dedicated to building a state-of-the-art behavioral health and addiction treatment facility beginning on day one; and
  - equal installment payments for the \$950M balance of the upfront \$1.52B consideration to be paid to New Hanover County each year for fifteen (15) years, which will ensure the financial investments are available to the County over time. Although we realize current and future County leaders will decide spending priorities, we would be honored, for example, if part of the purchase proceeds were to fund the newly created New Hanover Office of Diversity and

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<sup>1</sup> These terms are, of course, subject to due diligence and the non-occurrence of material adverse intervening events (such as the degradation of NHRMC’s finances or operations), plus the negotiation of a mutually acceptable, customary definitive agreement.

Equity to support its promotion of racial and social justice, equity and positive change.

- New Hanover County will keep NHRMC's current cash and investments net of all liabilities as of the date of closing the transaction.
- Total capital commitments of approximately \$1.11B over fifteen (15) years. In addition, Atrium Health will invest additional strategic capital based on Atrium Health's enterprise capital allocation processes, which provide for the highest and best use of capital across the Atrium Health enterprise. Atrium Health has a longstanding track record of exceeding its initial capital commitments to its partners (and we encourage you to confirm that fact with our current partners), and we intend to do the same in New Hanover.
- In keeping not only with the wishes of the community, but also with our belief that strong local governance is key to developing and maintaining a successful hospital system, NHRMC will continue to be governed by a competency based local board. A majority of the board of directors will be residents of New Hanover County or the surrounding communities. It is envisioned that post closing the NHRMC Board will consist of 9 individuals, at least 6 of whom will be local residents. We will work closely with New Hanover County, the City of Wilmington, and other local health care organizations, business and civic groups to identify potential board members with the knowledge and skill sets necessary to ensure the ongoing success of the hospital system. New Hanover County and Atrium Health will jointly nominate the first board of directors, which will be approved by the Atrium Health Board of Commissioners.
- For a minimum of ten (10) years, Atrium Health will nominate two NHRMC directors to serve on the Atrium Health Board of Commissioners, providing New Hanover a voice in the greater Atrium Health enterprise.
- In keeping with our track record of maintaining and growing the local employment base when we partner with a local provider, Atrium intends to maintain the current local NHRMC employment base for a minimum of one year, and over time we plan to grow the enterprise and thus grow local employment.
- Atrium Health will maintain the current relationship with the New Hanover Regional Medical Center Physician Group while continuing to expand the medical group and access to excellent quality medical care as we have done during the past decade.
- Attached is a **Memorandum of Understanding** between Atrium Health and Wake Forest University Baptist Medical Center, which memorializes our commitment to support NHRMC's existing medical education programs and grow medical education opportunities in the region. Atrium Health will maintain the current NHRMC residency training programs, offer additional medical education opportunities, and provide additional academic expertise and research capabilities to the community through its partnership with Wake Forest Baptist Health. As evidenced by the MOU, the commitment of Atrium Health and Wake Forest Baptist Health, our academic medical partner, is independent of the parties' pending transaction and planned medical school campus in Charlotte. Moreover, with a private academic medical partner and the ability to build and fund medical education and research efforts without the prior approval of political bodies, Atrium Health can unequivocally deliver on its commitment to medical education and research.

Atrium Health’s alternative asset purchase proposal will invest in the people, technology, infrastructure, medical education and clinical services that give all the citizens of Wilmington and the surrounding seven county area the excellent health care they deserve without leaving the region. Our targeted upfront investments, followed by a sustained and substantial revenue stream, will ease the burden on taxpayers, provide flexibility to the County’s leaders to address local spending priorities, and remove the County from the risks associated with modern healthcare management. Most importantly, however, the proposal will make the New Hanover community better, **for all**. Ten years from now in 2030, when you are reflecting on this decision, we expect the headlines to read:

- **Disparities Disappear** – Atrium Health | New Hanover is National Leader in Health Equity
- **New Hanover Kicks the Habit** – Now Addicted to Health, Not Opioids
- **New Hanover Thriving After Decade with Atrium** – Now a Medical Tourism Destination
- **Seed Planted by County with Atrium in 2020 Bears Fruit** – Wilmington is North Carolina’s Health Care Leader

Atrium Health’s mission to improve health, elevate hope and advance healing – FOR ALL, has never been more important than it is currently in our country, our State and the New Hanover community. We understand and respect your goal of “leading the community to outstanding health” for decades to come, including your imperatives of eradicating inequities of care, dramatically improving behavioral health, and solving the opioid crisis. As we have shared with you over the past few months, resolving these seemingly intractable problems is already a part of our current goals across the Atrium Health enterprise. More importantly, however, it is in our DNA to successfully fix these problems endemic in our society

Our long-term lease option has a proven track record of success with other North Carolina county hospitals, and we believe it would give New Hanover maximum flexibility while holding Atrium Health accountable for delivering on its promises. However, we are also pleased to submit this asset purchase option.

You are at a pivotal moment in the history of your region, and we want to work with you to change the current trajectory and make a real, lasting difference in the health of your community. We want to ensure that our financial investments in New Hanover will be dedicated to health care, for everyone, including the most vulnerable, and will be available over time to grow and bear fruit.