

HCA Healthcare is honored to present New Hanover County and New Hanover Regional Medical Center its response to the request for proposal to form a Proposed Strategic Partnership with NHRMC. HCA’s preeminent approach to operating healthcare facilities, its current presence both along the US-17 coastal highway and in Western North Carolina, and its strong balance sheet that would provide NHRMC with long-term stability are only a few reasons why HCA would be the ideal partner for NHRMC. As New Hanover County, NHRMC, and the residents of the greater Wilmington community evaluate its future for healthcare delivery, HCA Healthcare welcomes the opportunity to explore further the benefits of an affiliation.

#	Goals and Objectives	Proposed Strategic Partnership
1	Improving Access to Care and Wellness	<ul style="list-style-type: none"> • Expansion and reconfiguration of facilities. HCA affirms that the expansion and reconfiguration of facilities is crucial to ensuring access to care for the community. HCA’s proposed capital commitment would help to satisfy this need. • Ambulatory network development. HCA would collaborate with NHRMC to develop a strategy regarding an ambulatory network that would include primary care and specialty physician practices, urgent care centers, ambulatory surgery centers, freestanding emergency rooms, outpatient imaging facilities, and other access points located throughout the community.
2	Advancing the Value of Care	<ul style="list-style-type: none"> • ACO and health plan development. Utilizing its experience with other value-oriented networks, HCA would pursue initiatives to enhance care delivery by lowering costs and increasing quality. • Information technology & digital solutions. The innovative use of technology would be a catalyst for executing upon value-driven initiatives. Drawing upon its history of developing and deploying digital solutions, HCA would work with NHRMC to pilot existing and develop new platforms to further advance the value of care delivered to its patients.
3	Achieving Health Equity	<ul style="list-style-type: none"> • Full-scale health equity program. As part of an affiliation with HCA, NHRMC would have the opportunity to choose between its existing charity care policy and HCA’s financial assistance policies based upon whichever policy provides greater access to healthcare services. HCA’s policies cover both uninsured and under-insured patients and provides substantial protection for patients through generous charity care and expanded charity care policies, uninsured discounts, under-insured discounts, prompt pay and time-of-service discounts, financial counseling, and responsible collection policies.

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4	Engaging Staff	<ul style="list-style-type: none"> • Avoiding staff shortages. As an affiliate of HCA, NHRMC would benefit from HCA’s approach to recruiting nurses and other healthcare professionals. In addition, HCA’s recent acquisition of Galen College of Nursing, would not only provide access to recently graduated nurses, but would also create a potential opportunity to establish a satellite location of the college at NHRMC. • Developing and recruiting talent and expertise. Through an affiliation with HCA, NHRMC would have access to nationally recognized career development programs for the benefit of all employees. HCA would provide NHRMC the tools to engage its staff through HCA’s Healthy Work Environment initiative, which focuses on the following areas: Culture, Leadership, Voice, Compensation/Rewards, and Staffing.
5	Partnering with Providers	<ul style="list-style-type: none"> • Provider needs. HCA’s Physician Services Group (“PSG”) would help NHRMC address its provider needs by engaging in the recruitment of providers for employment and sharing its expertise in evaluating other types of provider service arrangements. • Engaging independent providers. HCA’s Physician and Provider Relations organization, which would be available to NHRMC, is designed to engage independent physicians and maintain effective physician relationships. In addition, HCA has experience with various alignment structures, including narrow networks, CINs, ACOs, clinical co-management programs, IPOs, bundled payment structures with gain sharing mechanisms, MSOs, and joint ventures.
6	Driving Quality of Care Throughout Continuum	<ul style="list-style-type: none"> • Clinical transformation. HCA’s Clinical Services Group (“CSG”) provides leadership for clinical services and improves performance across all of HCA’s care settings. CSG, for example, developed a Sepsis Prediction and Optimization Therapy (“SPOT”) program using artificial intelligence based on patient data to facilitate the identification of sepsis patients much sooner than was historically possible. The SPOT program has both improved outcomes and reduced mortality rates related to sepsis across the entire organization.
7	Growing the Level and Scope of Care	<ul style="list-style-type: none"> • Partnerships for highly-specialized services. Through an affiliation with HCA, NHRMC would benefit from the expertise of HCA’s clinical service line leaders. These leaders serve as advisors to local management during planning and support effective implementation of local service-line strategies. In collaboration with NHRMC, HCA would focus on enhancing specific service lines to serve the growing needs of the community.

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8	Investing to Ensure Long-Term Financial Security	<ul style="list-style-type: none"> • Financial performance benefits. As an affiliate of HCA, NHRMC would benefit from HCA’s scale, including its shared services platform and its purchasing power. These benefits would enhance NHRMC financial performance. • Addressing financial gaps and threats. As an affiliate of HCA, NHRMC’s financial stability would be greatly enhanced by HCA’s strong balance sheet. • Total financial consideration. As a seller, New Hanover County would receive substantial cash consideration in connection with a transaction with HCA. The level of consideration would be dependent upon which proposed transaction structure the County wishes to pursue. <ul style="list-style-type: none"> • In a transaction structured as a full acquisition, the enterprise value (cash-free, debt-free) of the assets would be \$1.25 billion. The purchase price paid to the sellers would be equal to the enterprise value adjusted for any assumed indebtedness and for the variance between (i) the amount of working capital delivered at closing and (ii) a normalized level of working capital for NHRMC. • In a transaction structured as a joint venture, the enterprise value of the assets would be \$1.1 billion. HCA is flexible as to the amount of equity that the sellers would have in the joint venture, so long as such amount of equity is between 20% and 49%. The purchase price paid to the Sellers would be equal to HCA’s percentage ownership of the joint venture multiplied by the equity value of the joint venture. The equity value of the joint venture would be equal to the enterprise value adjusted for any assumed indebtedness and for the variance between (i) the amount of working capital delivered at closing and (ii) a normalized level of working capital for NHRMC. • In a transaction structured as a lease arrangement, the enterprise value of the assets would be \$1.25 billion. The upfront lease payment to the sellers would be equal to the enterprise value adjusted for any assumed indebtedness and for the variance between (i) the amount of working capital delivered at closing and (ii) a normalized level of working capital for NHRMC. • Any transaction with HCA would result in NHRMC becoming a taxable entity. Based upon preliminary, high-level estimates, NHRMC would incur approximately \$19 million per year in the form of property and sales taxes that would benefit local and state governments.

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9	Strategic Positioning	<ul style="list-style-type: none"> • Integrated, regional health system. By joining the HCA family, NHRMC would become an integral part of a regional healthcare system that would HCA's facilities located around the US-17 coastal highway, serving communities in Myrtle Beach, Charleston, Savannah, and Jacksonville. Additionally, by joining HCA, NHRMC would have a partner in Western North Carolina with Mission Health.
10	Governance	<ul style="list-style-type: none"> • Contemporary governance model. HCA is proposing multiple transaction structures as part of its RFP response. If a full acquisition or long-term lease are chosen, a Community Advocacy Board would be established to represent the Wilmington community. If a joint venture structure is chosen, through its participation on the joint venture board, New Hanover County would be included in key operational decisions involving NHRMC. • Control at the local level. NHRMC, and each of its hospitals, would have a board of trustees responsible for credentialing, licensure, safety and quality issues, and other medical staff matters. HCA would expect significant local community involvement on each of these hospital boards of trustees. • Legal organizational model. In each transaction structure proposed by HCA, NHRMC would not be limited in terms of growth outside New Hanover County, branding, financing opportunities, investments, or scale.