



HSP offers the following four Amendments to NHRMC RFP Response:

- 1. Instead of committing to \$400 million over the first five years post-transaction, HSP will commit to 12 years of capital investment within the NHRMC service area at 60% of annual EBIDTA. Capital investment for the first five years post-transaction will not be less than \$400M in total. All other information in our responses remain consistent. As previously noted, the market may propose the expenditure of additional capital for strategic investments.**

This Amends:

Our answer to RFP Question 8.1.8. NHRMC's capital budgets and other estimates of long-term strategic capital have been provided to Respondent in the Data Room. Will the Respondent commit to fulfilling these capital investments by ensuring NHRMC's future access to capital?

- We are committed to ensuring all our facilities and operations are funded appropriately to ensure the best patient care possible for the long term. We appreciate the detail and capital process that was used to develop these projections, and we would make sure these capital requirements are included in the final negotiated deal structure as strategic and replacement priorities. Our offer includes capital funding \$400 million over the next five years for strategic and replacement needs, which is our interpretation of NHRMC's long-term strategic capital plan.

Our answer to RFP Question 11.2.1. Financial terms, as applicable, including any (a) purchase price based upon of fair market value of operating assets, (b) financial contributions to the County or an independent, local foundation whose general charter would be to benefit the local community, (c) lease payments, (d) funds to support ongoing or planned capital projects (i.e., capital commitments), (e) funds committed to strategic growth and expansion, (f) any other financial commitments.

- While the purchase price/purchase price allocation for all NHRMC assets is contingent upon a quality of earnings analysis that addresses the stability of NHRMC's existing revenue base, our offer for NHRMC and supporting operations is \$1,300,000,000. In addition, we will commit to fund \$400,000,000 over the five fiscal years subsequent to the transaction date to fund the NHRMC capital plan. This offer assumes all excess cash above normal working capital requirements would remain with the County, along with all outstanding debts including unfunded pension liabilities. We are willing to entertain any allocation of the purchase price among the various categories and needs identified. For example, a significant portion of the purchase price might be transferred outright to the County, while other allocations



might be made in support of capital improvements or future capital commitments in excess of the \$400 million capital commitment.

Our answer to Clarifying question # 7. Please define capital expenditures per your proposal (i.e., what specific types of expenditures would be counted as part of the capital commitment), as well as provide a clarification for (i) the expected source of funding for non-routine capital expenditures associated with the capital commitment, and (ii) any factors or contingencies that would affect the total capital commitment.

- Our proposed \$400 million in capital commitments over the next five years will include, but is not limited to, facility improvements, market strategic activity (excluding acquisition of hospitals and health systems), physician recruitment and acquisition, and I&T and maintenance capital, like investments outlined in NHRMC's capital plan. We expect these commitments to be funded by NHRMC's operating cash flow, but our existing cash reserves and debt capacity are available for any shortfalls. Capital expenditures will be reviewed through our system-wide capital process, as referenced in Section 8.1.2 of our original response. The only contingency to this commitment would be extraordinary disruption in the capital markets that would limit the ability of health systems to fund capital or significant financial losses within the existing NHRMC facilities. While either of these situations would be extreme outliers, if HSP was unable to invest the full \$400 million within the first five years, the remaining balance would be carried over to the following year(s) and increased based on inflation/consumer price index.
- In addition to the \$400 million capital commitment, the market may propose the expenditure of additional capital for strategic investments (acquisition of hospitals in the market, development of new ambulatory facilities, etc.). This strategic capital may be requested from HSP as part of the annual capital approval process our system engages in with respect to all markets

Our Executive Summary section: Investing to Ensure Long- Term Financial Security

- We are proposing \$1,300,000,000 as the purchase price for acquisition of NHRMC and related assets, as well as committing to fund capital investments for a minimum of \$400M over the next five years in the market, with an opportunity for more based on analysis of strategic plans, all subject to final due diligence.



**2. HSP will nominate one NHRMC director to serve on the HSP board. This director will be a resident of the Greater Wilmington area.**

This Amends:

Our answer to RFP question 10.2. If applicable to the Respondent's Proposed Strategic Partnership, discuss any proposed representation from NHRMC (or residents of the Service Area) on Respondent's parent or system board of directors or any of such board's committees.

- Our strategic relationship with and status as a supporting organization of Bon Secours Mercy Health, Inc. (BSMH) is best supported by our current governance model, whereby its Board of Directors is comprised entirely of persons who serve on the BSMH Board. The members of the Health System's Board committees are persons serving on its Board, with some minor exceptions for nationally renowned individuals or persons with unique experience and talents, especially in the case of Respondent's Audit and Corporate Responsibility Committee. We are certainly willing to consider appointing members of the NHRMC community to system-wide roles, including Board or Board committee membership, where such appointment would be in the best interests of the larger system.

Our Executive Summary section: Governance

- Following the transaction, the NHRMC Board will remain fully functioning with full fiduciary responsibilities, including the opportunity to review the strategic plan, operating and capital budgets, as well as key human resources decisions relating to our associates (subject to certain reserve powers). All current NHRMC board members will be asked to continue their service

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- 3. We will make no material changes to NHRMC employment for at least 12 months post-closing without NHRMC board approval, unless the COVID19 crises requires greater action. Even then we will work with the NHRMC board to get their input and recommendations. Going forward, we will not make material changes to the NHRMC staffing plan without consulting with, and obtaining recommendations from, the local board in advance.**



This Amends:

Our answer to RFP question 4.2.1. Will the Respondent make a commitment not to make any material changes to NHRMC's employee base and staffing commitments without the approval of the NHRMC Board?

- Our approach will be to bring our general staffing strategy to the board to ensure alignment with quality, access, and cost containment, as well as ensure engagement with our associates and care providers. While we are committed to transparency related to the evaluation and process for evaluating staff, we believe the primary role of the Board is to hold management accountable for delivering the expected clinical and operational results in a manner consistent with human dignity and values. Management should be responsible for setting staffing commitments and should have the requisite expertise to lead the workforce through the transition in a socially responsible manner. Our organizational values direct us to treat each associate with dignity, providing a dignified livelihood for all associates, even as we transition our associates to the workplace of the future.

Our answer to Clarifying question #6. Please clarify if the Respondent will make a commitment not to make any material changes to NHRMC's employee base and staffing commitments without the approval of the NHRMC Board. Please specify the time period for any commitment.

- NHRMC's Board will of course review and comment on the market staffing strategy. As we manage through the COVID19 crisis, it has been necessary more than ever to manage staffing levels as appropriate to address the needs of the community. We are committed to treating staff with dignity and in a socially responsible manner. As a real-life example, HSP and BSMH have had to furlough certain staff to address the reduction in volume related to the elimination of elective surgeries and other services as we prepare for the projected influx of COVID-19 patients. To ensure our staff were not financially harmed as a result of the furlough, the BSMH Foundation contributed \$60 Million to an Associate Hardship Fund. This generous donation should be enough to ensure that our staff continue to receive sufficient compensation during the crisis. In fact, all associates furloughed who make less than \$100,000 are projected to receive their full compensation for the period of the furlough. Staff who make more than \$100,000 annually will receive compensation as well but in lesser percentages. We believe this is very tangible evidence of our commitment to associates' wellbeing. We would be happy to discuss with you any specific requests you may make with respect to maintaining current staff. This crisis has further emphasized, however, that how healthcare is delivered will change dramatically in the future, and our staffing levels will need to adjust accordingly. As an example, we have developed a significant telemedicine capability to screen COVID-19 patients that augments triage by screening potential patients through a 1-800 number. This



telemedicine capability will continue even after the crisis is over, and our staffing will need to flex accordingly. After the crisis is over, we will be happy to discuss with you in greater detail our general staffing approach and are open to discussing commitments we would be willing to make during, and for some period after, the affiliation.

- At a minimum, as part of the transaction, we will agree to employ all active employees in good standing to ensure that the transaction does not trigger any WARN Act liability for NHRMC. Post transaction, any NHRMC employee who leaves the organization will be entitled to severance under the System's Severance Policy with credit for all years of service to NHRMC prior to the transaction.

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**4. BSMH and HSP have a significant presence in the Carolinas, specifically our operations in Charleston and Greenville SC. We are also looking at other opportunities in North and South Carolina. HSP has no known anti-trust issues with the NHRMC transaction, no issues with the HSR filing and would expect FTC approval within 30 days of filing.**

This Amends:

Our answer to RFP question 9.1. Describe what strategic priorities, if any, for southeastern North Carolina the Respondent maintains and how a strategic relationship with NHRMC fits into the Respondent's overarching strategy based upon the Proposed Strategic Partnership.

- Although our Health System does not currently have a presence in southeastern North Carolina, we are excited about the opportunity to expand our Health System into the state. Our common values and approach to community-based healthcare will help us expand our mission in the southeastern United States, as Virginia and South Carolina represent two of our largest markets. We believe NHRMC and southeastern North Carolina can be a key growth market for the future of our health system.

Our Executive Summary section: Strategic Positioning

NHRMC would be our only operations in North Carolina, which we consider a key growth market to expand our mission in the Southeast. We currently have operations in Virginia and South Carolina.