April 7, 2020

Dear PAG Support Team:

Thank you for the opportunity to respond to your follow-up questions on the New Hanover Regional Medical Center RFP. We are happy to provide any additional information you may need while reviewing our responses.

To reiterate, we believe that our unwavering dedication to your community, especially to the poor, dying and underserved, when linked with our expertise and experience, makes us the best choice for carrying on NHRMC's tradition of care.

To that end, we offer to provide immediate COVID-19 support to New Hanover Regional Medical Center. Specific areas where we can assist include:

- Pharmacy – Provide access to our guideline documents and participation in our Pharmacy leadership calls. The guideline documents are updated daily as new information becomes available and cover a wide range of topics (e.g. Therapies for Treatment of COVID-19 including treatment algorithms and recommendations).
- Lab – Provide access to our system guideline documents and participation in our Laboratory leadership call.
- Virtual Health Solutions – Share insight regarding what technology best supports the use case and technical advice regarding virtual health solutions.
- Admission and Transfer Algorithms – Provide access to our COVID-19 direct admission and transfer algorithm.
- Information and Technology – Give access to our calls with partner CIOs to support evolving needs and share ideas on topics that include:
    - EMR – Best practices and content for the many rapid changes
    - Virtual Visit – Support for virtual visit technology and content
    - Remote Work – Security threat intelligence and best practices including tip sheets.
- Supply Chain – Provide support to extend relationships with our supply and service base and extend services and/or aggregate sourcing efforts.
- 24/7 COVID-19 Hotline and Chatbot – Provide access to our system to answer general questions and assess needs to speak with a clinician for triage.

Please let us know if we can help, thank you again for contacting us and stay safe and healthy.

Sincerely,

Brian Smith
President & CEO, HealthSpan Partners

D. HealthSpan Partners Clarifying Questions to Submitted Proposal

1. Describe what impact, if any, Respondent's Proposed Strategic Partnership would have on NHRMC's ability to further develop and/or reconfigure existing inpatient facilities in the Service Area? Please comment on the Respondent's support for and alignment with the inpatient facility planning included NHRMC's Master Plan provided in the Data Room.

We agree with the need to keep the NHRMC main campus as an anchor to the community's healthcare while aggressively expanding ambulatory care initiatives. Healthcare continues to shift from inpatient to outpatient settings driven by technological improvements and demand for care that is accessible, convenient, and cost-efficient. Our immediate goal would be to expedite the ambulatory care and physician initiatives to expand the service area and continue to improve the experience of care for our patients and providers. Based on these strategic investments in outpatient, we would refine our inpatient strategy based on the high-acuity services critical for a growing and aging population. (Please refer to sections 1.5 and 7.1 within the original response for more information about our approach to service line development). We believe there is an opportunity to reduce patient outmigration out of the NHRMC's service area by expanding its service line capabilities for higher complexity care to allow patients to remain closer to home when seeking care. We look forward to the opportunity to support NHRMC leadership through our in-house data analytics, construction and design teams, leveraging equipment procurement, I&T connectivity, and legal, regulatory, and strategic functions.

2. Describe what impact, if any, Respondent's Proposed Strategic Partnership would have on NHRMC's capabilities in career development and leadership training. Specifically, clarify which HSP and BSMH programs would be available to NHRMC.

The Health System has core teams dedicated to support our efforts in career development and leadership training, which include Learning Design & Delivery, Clinical Education, and Talent & Organizational Effectiveness. Our vision is to develop fully formed leaders that are equipped to lead strategic initiatives and develop the workforce. Core capabilities include:

- **Leadership Development**: Develop fully formed system leaders through a series of aligned programs and professional coaching to address development gaps and utilize a performance pipeline framework (e.g., Front-Line Leader Experience, Executive Coaching, Leadership Academy, annual Leader Feedback Survey & corresponding development resources).
- **Physician Development:** Develop provider leadership skills of through engaging programs designed in partnership with clinical staff and the Medical Group (e.g., Leadership in Practice, an annual development program for Physicians & Providers).

- **Career Pipelines and Pathways**: Grow a deep and diverse bench of internal talent by providing clear pathways for career development and utilizing internal pipeline programs (e.g., Nurse Leader Pathway).
- **Talent Growth & Development**: Talent development tools and processes designed to enable career development and develop a deep and diverse bench (e.g., performance management, succession planning, core curriculum of virtual learning courses).

3. Please clarify the specific resources, programs, technology, and other capabilities of the BSMH population health services organization (PHSO) that would be available to support NHRMC?

HSP and BSMH Population Health Services Organization (PHSO) capabilities that would be available to support NHRMC include:

Resources - PHSO Team

- **Care Coordination** - comprised of dedicated RNs, Dieticians, Social Workers, Health Coaches, and Community Health Workers who facilitate patient's transition from inpatient stay to the community: home or post-acute facility. Additionally, once a patient is in the ambulatory setting, our care managers and team educate and coach patients on disease specific pathways leading them to self-management.
- **Analytics** - dedicated population health analytics team that provides operational and performance reports tied to our value-based contracts. Our analytics reporting systems are robust and customizable, providing actionable and timely data to proactively pivot strategy and efforts to ensure we continue to provide optimal care and expected outcomes for our patients.
- **Network Provider Support** – Network Integration Officers, Physician Provider Relationship Managers, and Clinical Outcomes Managers all work collaboratively with providers and practice teams to proactively close care gaps, and assist in meeting provider score card measures, and develop methods to improve risk score accuracy.
- **Clinical Quality Outcomes** – Key performance indicators are set at system, group, and market levels. Information is frequently shared on progress, opportunities, and impact. The PHSO team of clinicians, analytics and operational leaders identify, review, and proactively anticipate opportunities and lead interventions to achieve quality measures.
- **Performance Improvement** – Master Black Belt, Lean Six Sigma, Project Management Professional (PMP) certified, and RN licensed prepared team members dedicated to identifying and improving processes for the benefit of our patients and the BSMH system.
- **Pharmacy** – dedicated team members of the pharmacy division seek opportunities and develop and run pharmacy-based programs that benefit patient outcomes and reduce costs such as medication reconciliation and Meds to Beds.

- **Utilization Management** – our utilization management team reviews cost and utilization data to identify targeted areas of focus. One example includes appropriate utilization of post-acute services, following the patient weekly throughout their stay in the facility.
- **CMS Provider Annual Quality Reporting (known as GPRO)** – On behalf of every eligible provider in the network, the PHSO performs the necessary data abstraction and submission to CMS for the performance year.

Programs

- **Care Coordination** – Transition of Care and Ambulatory Care programs which facilitate patients throughout the continuum of care, addressing any needs, and ensuring the patient's plan of care is being followed. The goal is to manage utilization including reduce unnecessary admissions, reduce readmissions, coach patients on their disease and conditions, educate on proper location of care, and align community resources and assistance.
- **Post-Acute Network Management** – the PHSO has selected a group of Skilled Nursing Facilities (SNF) and Home Health Agency (HHA) providers which provide high quality, cost effective care, and positive patient outcomes. The purpose of the network is to utilize the highest performing SNFs and HHAs to positively affect high costs, variable quality, length of stay, and overall outcomes across the continuum (SNF 3-day waiver program, Employee health plan, MSSP population, at risk payer agreements).
- **Clinical Quality** Management – the team is dedicated to the management of contractual quality measures. Physician and practice score cards are monitored on performance. Trends and opportunities for improvement are proactively identified and addressed.
- **Risk Score Accuracy** – dedicated team to support the provider network with training and education that ensures proper documentation and coding.

Technology

The PHSO leverages innovative and state of the art technologies to support our network providers and care teams.

- **PHSO Dashboard Reporting Suite** – Utilizing clinical quality, cost, and utilization data, the PHSO provides actionable information to Providers at the point of care. This information is also provided to the BSMH Group and Market leaders, Clinical Outcome Managers and BSMH Executive leaders to help operators across the ministry and care teams engage in activities that effectively increase in-network utilization, decrease avoidable utilization and improve quality for our patients.
- **Remote Monitoring** – The PHSO utilizes industry leading technology for monitoring the health status of patient across the continuum to provide enhanced engagement and avoid preventable emergency visits. Patients can report their symptoms and biometric information in an easy to use interface. Care Managers monitor the dashboard daily for patients who alert and then conduct real-time telephonic outreach.

- **Virtual Visits** – Patients can access Care Management video visits with Registered Nurse Care Coordinators, Registered Dieticians, and Social Workers. Clinicians can conduct a more comprehensive physical assessment, as well as living situation, medications, and nutrition. This technology provides the patient with a more individualized and holistic care plan.
- **Interactive Voice** – Used to improve quality and chronic care management. This technology provides our network and affiliate providers the ability to send important messages to patients about health screenings and chronic conditions management. The interactive voice enables immediate response action.

Other Capabilities

- **Membership Database Management** – the PHSO centrally manages the member eligibility files that are sent from payers and reconcile patient attribution and empanelment by provider, by group, and by payer contract.
- **Provider Database Management** – Centrally manage the provider network database and roster for our 9 ACOs/CINs. Working with payers to ensure that this roster is current to ensure prompt payment for providers in our network.
- **Payer Joint Operating Committees (JOCs)** – Quarterly collaboration with Payers and PHSO leadership to share a payer contract score card, identify progress within the contract, share opportunities to improve, and any financial forecast. To address at an executive level, contractual programmatic and clinical areas of concern that need to be addressed.
- **Payer Collaboration** – Monthly collaboration calls with frontline clinical teams to identify high cost cases, align resources and programs to assist in addressing opportunities
- **ACO and CIN Administrative Support -** PHSO has extensive experience in developing and successfully managing value-based provider networks both ACOs and CINs. We have centralized the administrative support for 9 ACOs/CINs. This includes the management of individual board of director meetings and governing board committees. These committees include quality, finance, and compliance. Our centralized approach has reduced administrative costs through efficiencies that ensure a compliant and consistent approach.

4. Please clarify what impact, if any, Respondent's Proposed Strategic Partnership would have on NHRMC's ability to improve the timing in securing patient transfers for quaternary services not offered by NHRMC. Please specify availability of expedited transfers and processes and technology to coordinate care.

Through the system-wide deployment of a centralized transfer center model (Conduit Health Partners), we have established best practices for the rapid transfer and acceptance of patients in our various markets. We have facilities spanning the range from critical access to Level 1

Trauma Centers. This range of operational experience helps inform a system oversight council which reviews detailed performance data in order to promote the development of new strategies and processes to drive excellence in care and speed to access. Detailed analytics provide comparative time metrics for critical aspects of the transfer process.

During the COVID-19 crisis, Conduit Health Partners has provided critical access to patients with health concerns with a robust Nurse Triage program. Additionally, managing patient movement is facilitated by a team of registered nurses who operationalize strategic decisions in COVID-19 response management.

5. Please clarify Respondent's position on continuing NHRMC's efforts to establish, own and operate a Medicare Advantage health plan.

While we do not currently own or operate a Medicare Advantage plan, we are open to discuss future operations and growth of NHRMC's Medicare Advantage plan. We currently manage approximately 280,000 Medicare lives contracted through our ACOs, with a number including full risk. Our attributed Medicare Advantage lives exceed 100,000 with another 179,000 in MSSP. We would particularly be interested in continuing the partnership with First Carolina Care and are interested in hearing more about how the NHRMC leadership team interacts with First Carolina's team. We have a long and successful track record of partnering with others along the care continuum to serve our communities.

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.

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

8. In the attached Excel worksheets, please indicate:
    a. The financial consideration proposed as part of a partnership with NHRMC. Please provide a version for each structure proposed.

b. The treatment of NHRMC's balance sheet and working capital for a Day 1 cutover. Please indicate which assets and liabilities will be retained by the successor organization or retained by New Hanover County. Please provide a version for each structure proposed.

Response is attached. We are open to discussing appropriate transfer of assets and liabilities to support seamless patient care and engagement of our associates. Our proposed financial consideration is the same under either an asset acquisition or a membership transfer. If we were to enter into a management services agreement, the financial terms for any associated services would need to be negotiated.

9. If not already provided, please provide a brief statement on the Respondent's support for affiliated health systems in response to COVID-19?

HSP together with BSMH is one of the 20 largest health care systems in the United States, with more than 1,000 sites of care across seven states and Ireland and more than 60,000 associates serving nearly 11 million patients and residents each year. The health and safety of each of our patients and residents is key to everything we do, and that's one of the reasons we're taking COVID-19 seriously. In addition to working in partnership with the Centers for Disease Control and Prevention and our state departments of health, we are working around the clock to ensure our strategic system response, clinical decision making, response tactics and operational care delivery are helping us care for communities in the best way possible. To ensure the health of our communities, we are taking the necessary precautions and preparing across our system to care for patients, residents and visitors that may be affected by the virus.

As a system, we have worked in tandem to roll out key initiatives that will help us care for those who need us. Many of these key actions are outlined below.

Actions Taken to Support Care Delivery:

- Incident Command Center – The system established a 24/7 Incident Command Center (ICC) to support the hospital and market COVID-19 response teams already in place. In addition to driving clinical and staff policy development in collaboration with market incident command personnel, the ICC monitors and tracks COVID-19 response activities and takes accountability for forecasting system demand and delivering timely resources to our markets and their patients, residents and the communities they serve. The ICC also serves as the hub for ensuring appropriate supply and lab testing capabilities are distributed appropriately across markets and communities. Each Group and market established local ICCs for collaboration and coordination with the system and local facilities.
- Associate Response Pool – Associates able to work in other roles are invited to join the Associate Response Pool and support patients and residents in temporary roles. As

emergency situations dictate the need for additional necessary staffing, the pool will be strategically engaged based on geography and skills needed.

- PPE – The system follows CDC guidelines regarding personal protective equipment, protocols and processes. To ensure the continued health and safety of patients and associates, our organization regularly monitors current supplies and began planning early. We have plans in place to support our needs and remain committed to the appropriate and responsible use of supplies and equipment, at this time and always.
- Supply Donations – Our Supply Chain team established a central donation process to meet the needs of community groups and residents seeking to lean in to the pandemic response. A central hotline helps to ensure the health and safety of all who choose to drop off donations and maintains consistency of information distribution.

Access Strategies:

- Flu Clinic Expansion – Key screening facilities have been established across the system to serve any patient with flu-like symptoms. This serves to keep emergency departments free and redirects symptomatic patients away from primary care offices. Associates working at the flu clinics don appropriate PPE to help screen patients.
- COVID-19 Screening Tents – Set up screening tents outside emergency departments as needed to help screen patients before they entered the facility.
- Emphasis on Virtual Health – The system has increased the number of virtual health care options available for established and new patients, including a significant increase in availability of clinicians and the rapid build-out of necessary infrastructure, network, and devices for virtual health care delivery. These access points allow options for continuing care at a time when social distancing is key. Additionally, free COVID-19 video visits are available to help patients receive the care they need in a non-emergency environment.
- The system has offered E-visits through MyChart for established patients for some time. Through a MyChart E-visit, patients can receive an online diagnosis and treatment plan for non-urgent conditions. With the aid of a questionnaire, patients detail their symptoms and concerns. Once their provider reviews this information alongside their medical history, the patient will receive a message with the recommended treatment plan. No online video or chats are necessary.
- Video Visits – This is a service for established patients who can schedule a video visit with their provider via MyChart. This helps to ensure smooth continuity of care face to face from the comfort of a patient's home. If patients don't have MyChart or an Apple device (MyChart video visits work with Apple devices), we can accommodate using a different platform. This platform is for both established and new patients and offers scheduled face-to-face video visits. Participants can use any device with a camera and do not need a MyChart account. Across our footprint, video visits are up more than 5,000% year over year.
- Free COVID-19 Video Visits – The free virtual visit should be used if patients are showing possible COVID-19 symptoms or may have been exposed to someone diagnosed with a

positive case of COVID-19. Please note this service is for non-emergency COVID-19 visits only. Website Virtual Assistant – The COVID-19 virtual assistant is designed to answer general questions, connect consumers and patients with our hotline or a clinician, and allow them to assess their risk levels for COVID-19 based on CDC and World Health Organization guidelines.

- Virtual Triage Chatbot – A web-based and mobile tool allows consumers to understand their risk through a symptom checker and gain access for information and care. Using clinical protocols, the tool routes non-clinical patients to online resources or the COVID-19 Hotline and triages those at moderate/high risk to nurse triage or a virtual visit with the 24/7 platform. The tool also directs employees with return-to-work questions to nurse triage.

Focus on Communications:

- A daily COVID-19 Update e-newsletter is sent to leaders and associates, providing a one-stop location for all process, procedural, HR and associate updates related to COVID-19.
- Podcasts – A daily podcast features senior leaders sharing key system updates. This is shared via the COVID-19 e-newsletter as well as through our ERP system, Workday.
- Videos – Senior leaders, including our President and CEO, chief operating officer, chief nurse and quality officer, and chief clinical officer have shared words of inspiration, reflection and gratitude with associates via a weekly video series.
- Intranet Site – All updates can also be found on a searchable system-wide intranet site.
- Governance Leader Update – Every Friday, our President and CEO teams with the board chair to update system & market governance boards on actions taken to fight COVID-19.
- Social Media – A robust social media response has allowed patients, residents and communities to understand more about COVID-19, including prevention, symptoms and next steps. In addition, the system's blogs have addressed important topics including how to talk to children about the pandemic, our responsibilities as compassionate caregivers and more.

Thought Leadership:

- Our organization's President and CEO is one of seven health system leaders invited to a national roundtable of hospital leaders at a White House Coronavirus Task Force meeting and has had follow-up discussions with HHS Deputy Secretary Eric Hargan to discuss a variety of issues, including program funding, testing, staffing, supply chain, telehealth and acute rehab unit issues.
- Our President and CEO also connected Columbus-based non-profit Battelle to the FDA through the ministry's relationships and ongoing dialogue with Department of Health and Human Services Deputy Secretary Eric Hargan, as well as Ohio Governor Mike DeWine and Ohio Lt. Governor Jon Husted. Battelle was approved by the FDA to sterilize hundreds of thousands of N-95 masks each week for reuse, which helps to reduce waste and reduce our dependency on overseas PPE production.

This is just the beginning of our COVID-19 response. We will care for all patients who come through our doors with dignity and respect, adhering to guidelines established by the CDC.

10. In light of the demands the COVID-19 crisis will place on all healthcare systems, please confirm your organization's commitment to this process. Specifically, confirm the Respondent has the capacity and resources to continue this process over the coming months and clarify if the expected ramifications from the crisis change any aspects of Respondent's Proposal.

HSP confirms its interest in and commitment to this process. While we are being challenged like all healthcare systems due to COVID-19, we are very well positioned for the future and are taking decisive management decisions in response to manage expenses and ensure resources are surged to our front-line care givers. In fact, Moody's Investor Services upgraded our organization (BSMH plus HSP) on March 31, 2020 to A1/Stable. They said:

"The upgrade and assignment of the A1 is based on BSMH's strong liquidity of over $5 billion, centralized management model and platform, and proven ability to quickly execute complicated integration strategies, which will provide resources to manage through COVID-19 challenges."

Our other ratings include:

- Fitch: AA- Stable Outlook, unchanged
- S&P: A+ Stable Outlook, unchanged

D. Supplemental Question: Respondent proposed two structures that would each result in a fully integrated relationship with NHRMC. Please provide additional information on why Respondent believes a fully integrated model is the best partnership model between NHRMC and the Respondent. Additionally, if the Respondent has less than fully integrated relationships with other health systems today, please include how those relationships have informed your decision to propose a fully integrated partnership as the preferred model with NHRMC.

HSP is open to other options for governance and organizational structure. We have a strong track record to support success in many types of partnerships. Our history with Care Alliance (d/b/a Roper St. Francis Healthcare) in the Charleston, SC market is an excellent example of our flexibility in partnering with non-Catholic organizations. We chose the asset purchase and membership substitution options as we believe these approaches maximize the benefit of our scale, capital capacity, and ability to grow outside the existing service area. We also thought this would be the most straight forward approach to communicate our financial commitment to NHRMC, as elements of governance and structure can adjust the financial value. HSP uses the shared service model of BSMH and enjoys the benefits of its scale and operating performance. However, with a few exceptions, HSP would provide a flexible opt-in approach to the use of BSMH shared services based on the degree of financial synergies and improved service level performance.

Our system looks forward to the opportunity to determine the best structure that meets the needs of the Southeastern North Carolina community and our organizations.

The following pages contain the information included by HealthSpan Partners (BSMH) in the attachment referenced in the response to Questions 8(a) and 8(b) above.

Please use the below table to summarize the financial consideration proposed as part of a partnership with NHRMC			BSMH Notes
CONSIDERATION	($ in thousands)		
Purchase Price / Upfront Cash	$	1,300,000	***Per offer submitted 3/13/2020***
Other Components of Cash Consideration	$	-	
County Retention of NHRMC Assets Less Liabilities[1]	$	-	
Incremental Impact to Purchase Price / Upfront Cash - Balance Sheet Analysis[2]	$	400,663	***See supporting balance sheet analysis spreadsheet***
TOTAL CASH PROCEEDS TO COUNTY	*$*	*1,680,411*	***Balance of purchase price and "Incremental Impact" less cash to foundation***
CASH TO COMMUNITY FOUNDATION	*$*	*20,252*	***Represents existing donor-restricted funds and pledges; although included above in "Incremental Impact", assumes this consideration would remain with NHRMC assets***
OTHER NON-CASH CONSIDERATION	*$*	-	
TOTAL PROCEEDS RECEIVED	***$***	***1,700,663***	
TOTAL CAPITAL COMMITMENT	**$**	**400,000**	
Number of Years		*5*	
Implied Annual Capital Commitment	$	80,000	
OTHER CONSIDERATION	**$**	-	

1) Excludes defeasance and winddown costs
2) Balance Sheet Analysis in separate tab "Balance Sheet"

Below is an excerpt from the NHRMC 2019 audited balance sheet. Please indicate by marking an 'X' in either the 'Retained by Successor Organization' or 'Retained by County' columns to reflect how the asset or liability will be treated as part of a proposed transaction. In column 'K,' please indicate the amount that will be incremental to purchase price/upfront cash.

			Retained by Successor Organization	Retained by County	Incremental impact to purchase price/upfront cash
Assets	($ in thousands)				
Cash and cash equivalents[1]	$	220,636		X [1]	$ 173,095
Patient accounts receivable[2]	$	150,333		X	150,333
Prepaids and inventory	$	53,779	X		-
Investments	$	9,011		X	9,011
Other current assets	$	42,710		X	42,710
Total current assets	$	476,469			375,149
Board designated funds	$	634,239	-	X	634,239
Restricted funds and pledges[3]	$	20,252	-	X	20,252
Investment in affiliates	$	5,222	X	-	-
Other long-term assets	$	5,483	X	-	-
Total non current assets	$	665,196			654,491
PP&E	$	590,887	X	-	-
Total assets	$	1,732,552			$ 1,029,640
Liabilities					
Accounts payable	$	83,246		X	$ 83,246
Accrued salaries and wages[4]	$	55,350		X	55,350
Accrued interest payable	$	7,669		X	7,669
Current portion of debt, capital leases[4]	$	17,123		X	17,123
Other current liabilities	$	44,095		X	44,095
Total current liabilities	$	207,483			207,483
Net pension liability	$	49,090		X	49,090
Supplemental retirement programs	$	2,201		X	2,201
Interest rate swap agreements	$	3,020		X	3,020
Notes and bonds payable, less current	$	367,183		X	367,183
Total long-term liabilities	$	421,494			421,494
Total liabilities	$	628,977			628,977
Incremental Impact to Purchase Price / Upfront Cash				**$ -**	**$ 400,663**

Note: Based on initial review of audited f/s and related data; will further refine during diligence and negotiations

[1] Limited cash balance transferred to buyer to support net working capital (normalized at 7% revenue)

[2] Our proposal outlined an asset purchase agreement where A/R and A/P would remain with seller; we are open to transition service agreements to support NHRMC for revenue cycle and accounting services post-transaction

[3] Existing donor-restricted funds and pledges would be retained and controlled by Community Foundation

[4] BSMH expects to assume employee paid time off accruals and capital leases essential to patient services; expected to

New Hanover Regional Medical Center

(A Component Unit of New Hanover County, NC)
Statement of Net Position - Proprietary Fund
As of September 30, 2019

$000s	Guidehouse Classification	Total (Memorandum Only)	Retained by BSMH	Interpreted BSMH Position	Retained by County	Incremental impact to purchase price/upfront cash	Description
ASSETS							
Current Assets:							
Cash and cash equivalents	***Cash and cash equivalents***	$ 183,715		$ 47,541	***X***	$ 136,174	*Cash-free, debt-free deal (Fund NWC at 7% of Revenue)*
Assets limited as to use:							
Cash equivalents held by bond paying agent	***Cash and cash equivalents***	35,796		-	***X***	35,796	*Cash-free, debt-free deal*
Cash for debt service - not held by bond paying agent	***Cash and cash equivalents***	1,125		-	***X***	1,125	*Cash-free, debt-free deal*
Cash equivalents for future payment of claims liabilities	***Other current assets***	22,822		-	***X***	22,822	*Cash-free, debt-free deal*
Receivables:							
Patient accounts, less allowance for bad debts	***Patient accounts receivable***	150,333		-	***X***	150,333	*Receivables remain with County*
Estimated 3rd party payor settlements	***Other current assets***	876		-	***X***	876	*Receivables remain with County*
Due from primary government	***Other current assets***	3,811		-	***X***	3,811	*Receivables remain with County*
Due from component units	***Other current assets***	2,101		-	***X***	2,101	*Receivables remain with County*
Other receivables	***Other current assets***	13,100		-	***X***	13,100	*Receivables remain with County*
Investments	***Investments***	9,011		-	***X***	9,011	*Cash-free, debt-free deal*
Inventories	***Prepaids and inventory***	33,732	***X***	33,732		-	*Normalized working capital, supporting operations*
Prepaid expenses	***Prepaids and inventory***	20,047	***X***	20,047		-	*Normalized working capital, supporting operations*
Total current assets		476,469		101,320		375,149	
Noncurrent cash, investments and donor receivables:							
Noncurrent cash and investments							
Designated by Board for operating and other	***Board designated funds***	8,583		-	***X***	8,583	*Cash-free, debt-free deal*
Designated by Board for capital improvements	***Board designated funds***	623,455		-	***X***	623,455	*Cash-free, debt-free deal*
Designated by Board for supplemental retirement plans	***Board designated funds***	2,201		-	***X***	2,201	*Cash-free, debt-free deal*
Restricted by donors for specific purpose	***Restricted funds and pledges***	14,906		-	***X***	14,906	*Retain Community Foundation*
Restricted by donors for endowments	***Restricted funds and pledges***	4,328		-	***X***	4,328	*Retain Community Foundation*
		653,473		-		653,473	
Pledges and grants receivable	***Restricted funds and pledges***	1,018		-	***X***	1,018	*Retain Community Foundation*
Total noncurrent cash, investments, and donor receivables		654,491		-		654,491	
Other assets:							
Investment in affiliates	***Investment in affiliates***	5,222	***X***	5,222		-	*Ownership transfers to BSMH*
Interest rate swap agreement	***Other long-term assets***	69	***X***	69		-	*Ownership transfers to BSMH*
Other long-term assets	***Other long-term assets***	5,414	***X***	5,414		-	*Ownership transfers to BSMH*
Total other assets		10,705		10,705		-	
Capital assets-tangible:							
Land	***PP&E***	23,057	***X***	23,057		-	*Ownership transfers to BSMH*
Depreciable capital assets, net of accum. depr.	***PP&E***	461,840	***X***	461,840		-	*Ownership transfers to BSMH*
Construction in progress	***PP&E***	105,990	***X***	105,990		-	*Ownership transfers to BSMH*
Total capital assets - tangible	***PP&E***	590,887		590,887		-	
Total assets		1,732,552		702,912		1,029,640	
Deferred outflows of resources:							
Pension deferrals	***N/A***	22,613		-		-	*N/A*
Excess consideration provided for acquistion, net of amort.	***N/A***	27,386		-		-	*N/A*
Deferred charges on bond refundings	***N/A***	6,257		-		-	*N/A*
Total deferred outflows of resources	***N/A***	56,256		-		-	
Total assets and deferred outflows of resources		**$ 1,788,808**		**$ 702,912**		**$ 1,029,640**	
LIABILITIES							
Current liabilities:							
Accounts payable and other liabilities	***Accounts payable***	$ 83,246		$ -	***X***	$ 83,246	*Payables remain with County*
Professional liability claims	***Other current liabilities***	22,091		-	***X***	22,091	*Cash-free, debt-free deal*
Accrued salaries and wages	***Accrued salaries and wages***	55,350		-	***X***	55,350	*Payables remain with County*
Estimated 3rd-party payor settlements	***Other current liabilities***	3,673		-	***X***	3,673	*Payables remain with County*
Due to primary government	***Other current liabilities***	2,101		-	***X***	2,101	*Payables remain with County*
Due to component units	***Other current liabilities***	3,811		-	***X***	3,811	*Payables remain with County*
Accrued interest payable	***Accrued interest payable***	7,669		-	***X***	7,669	*Cash-free, debt-free deal*
Other self-funded liabilities	***Other current liabilities***	12,419		-	***X***	12,419	*Cash-free, debt-free deal*
Capital lease obligations, notes & bonds payable, current portion	***Current portion of debt, capital leases***	17,123		-	***X***	17,123	*Cash-free, debt-free deal*
Total current liabilities		207,483		-		207,483	
Long-term obligations:							
Net pension liability	***Net pension liability***	49,090		-	***X***	49,090	*Cash-free, debt-free deal*
Supplemental retirement plans	***Supplemental retirement programs***	2,201		-	***X***	2,201	*Cash-free, debt-free deal*
Interest rate swap agreements	***Interest rate swap agreements***	3,020		-	***X***	3,020	*Cash-free, debt-free deal*
Notes and bonds payable, less current portion	***Notes and bonds payable, less current***	367,183		-	***X***	367,183	*Cash-free, debt-free deal*
Total long-term obligations		421,494		-		421,494	
Total liabilities		628,977		-		628,977	
Deferred Inflows of Resources							
Pension deferrals	***N/A***	12,325		-		-	*N/A*
Total liabilities and deferred inflows of resources		641,302		-		628,977	
NET POSITION							
Net investment in capital assets	***N/A***	212,838		-		-	*N/A*
Unrestricted	***N/A***	915,227		-		-	*N/A*
Restricted	***N/A***	19,441		-		-	*N/A*
Total net position		1,147,506		-		-	
Total liabilities and net position		**$ 1,788,808**		**$ -**		**$ 628,977**	
Incremental Impact to Purchase Price / Upfront Cash						**$ 400,663**	
BSMH Assumed Net Working Capital:							
Current Assets				$ 101,320			
Less: Current Liabilities				-			
Net Working Capital Assumed				101,320			
2019 Operating Revenue				1,447,427			
Net Working Capital as % of Revenue				**7.0%**			
				$ -			