

Public Hearing

O.C.G.A. §31-7-74.3

**REGARDING LEASE OF SUMTER
REGIONAL HOSPITAL (SRH) BY PHOEBE
PUTNEY HEALTH SYSTEM (PPHS)**

AGENDA

- Welcome
Wayne Arrington
Chairman, ASCHA

- Hearing Disclosures
David Seagraves
President & CEO, Sumter Regional Hospital

Troy Hammett
VP Finance & CFO, Sumter Regional Hospital

- Letter of Intent (LOI) Summary
Mike Fennessy
General Counsel, ASCHA

- Question & Answer Session
Mike Fennessy
General Counsel, ASCHA

- Adjournment
Wayne Arrington
Chairman, ASCHA



Hearing Disclosure – Reasonably Foreseeable Adverse Effects of Lease

Adverse Effects

- ❑ Potential loss of Inpatient Behavior Health Services
- ❑ Integration may result in consolidation of support functions
- ❑ Less autonomy in governance matters
- ❑ Brief delay in replacement hospital project

Hearing Disclosure – Reasonably Foreseeable Beneficial Effects of Lease

Beneficial Effects

- ❑ At Least \$25 million in funding to construct a replacement Hospital, alternate site and recruiting of medical staff
- ❑ Cover ongoing operating losses due to loss of physicians
- ❑ New/shared medical services
- ❑ Coordinate care through a regional health care delivery system
- ❑ Increase SRH patient base by aligning incentives (ie, redirect from Phoebe)
- ❑ Improve financial performance through economies of scale
- ❑ Enhance clinical reputation – access to medical research, participation in Phoebe Family Practice Residency Program
- ❑ Access to capital for growth, state-of-art equipment, information systems, physician recruitment
- ❑ Increase opportunities for staff development and promotion in larger system
- ❑ More attractive and stable health care delivery system for economic development



Financial Statement – Total Assets and Liabilities Assumed by Lessee (Phoebe)

Under the proposed lease, SRH will transfer the operations, facilities, assets and liabilities to PPHS for a period of 40 years. The Americus and Sumter County Hospital Authority (ASCHA) will continue to exist and will retain \$1.0 million to manage the lease arrangement.

The total assets and liabilities as of November 30, 2008 are:

Total Assets - \$ 126.7 million

Total Liabilities - \$ 7.0 million

Assets Transferred with Value Exceeding \$100,000

<u>Asset</u>	<u>Est. Value (\$)</u>
Cash/Investments, Insurance proceeds	\$ 42,878,000
Accounts Receivable – Net	\$ 6,318,000
Insurance (Property) Receivable	\$ 31,862,000
Other Current Receivables	\$ 133,000
Inventory	\$ 663,000
Prepaid Expenses	\$ 1,570,000
Student/Physician Notes Receivable	\$ 1,832,000
Property, Plant and Equipment – Net	\$ <u>41,398,000</u>
Total Assets	\$126,654,000

Property, Plant & Equipment (PP&E) Detail

<u>Property Item</u>	<u>Historical Cost</u>	<u>Net Book Value</u>
SRH East Hospital:		
Land/Improvements	\$ 133,973	\$ 133,973
Building	\$ 36,726,260	\$ 34,816,753
Equipment	\$ 3,927,308	\$ 3,573,546
SRH – Old Hospital Site	\$ 509,320	\$ 310,654
Rees St. Medical Office:		
Land	\$ 194,754	\$ 194,754
Building	\$ 1,288,574	\$ 613,186
Equipment	\$ 224,659	\$ 42,717
Land for Future Development (6)	\$ 662,379	\$ 662,379
Sumter Regional Phys. Services Offices	\$ 370,284	\$ 152,917
Montezuma Medical Office Property	\$ 358,838	\$ 194,508
Southerfield Warehouse Property	\$ 329,276	\$ 293,304

Property, Plant & Equipment Detail (Continued)

<u>Property Item</u>	<u>Historical Cost</u>	<u>Net Book Value</u>
Ellaville Properties:		
Leasehold Improvements	\$ 61,433	\$ 12,204
Building	\$ 121,106	\$ 54,450
Equipment	\$ 118,438	\$ 7,143
Physician Office (1035 Forsyth St.):		
Land	\$ 142,400	\$ 142,400
Building	\$ 157,557	\$ 141,276
Wheatley House:		
Building	\$ 110,176	\$ 57,888
Equipment	\$ 15,146	\$ 204
Mayo St. Medical Office Complex	\$ 102,263	\$ 60,875



Resume of Top 5 SRH Executives – Manage Hospital after Lease to PPHS

SRH's current Executive Staff includes:

- David Seagraves
President & CEO
- Stephen Machen
Senior VP & COO
- Troy Hammett
VP Finance & CFO
- Andrew Carlson, MD
VP Medical Affairs & CMO
- Susan Fussell
VP Nursing & CNO
- Comfort Green
VP External Affairs



David Seagraves, President & CEO - Resume

David H. Seagraves, President and CEO. David H. Seagraves was appointed President and CEO of Sumter Regional Hospital (SRH) in June 2003 having worked in the field of health care finance and administration for 31 years. Mr. Seagraves is an active member of the community through service to his church, community service and professional organizations. He joined SRH in January 1987 as Vice President of Finance and Chief Financial Officer. He served in that capacity for over 16 years before being asked to serve as Interim President and CEO in February 2003 subsequently being appointed by the SRH Board of Directors as President and CEO in June 2003.

Mr. Seagraves began his professional career with Charter Medical Corporation at Shallowford Community Hospital in Chamblee, GA. He left the health care field for one year and joined the staff of the Media Division of Rollins, Inc. in Atlanta before he was recruited to Mobile, AL by Springhill Memorial Hospital. While at Springhill, Mr. Seagraves served the growing organization as Accounting Manager, Assistant Controller, Controller and Assistant Administrator-Finance.



David Seagraves, President & CEO – Resume (Cont.)

Mr. Seagraves received his Bachelor of Business Administration in Accounting, Cum Laude, from Georgia State University, Atlanta, GA in 1975. He completed his Masters of Science in Health Administration at the University of Alabama in Birmingham. Mr. Seagraves currently serves as Vice Chairman of the Board of the Georgia Alliance of Community Hospitals and is a member of the Board and serves on the Finance Committee of VHA-Georgia. Mr. Seagraves is a member of the Georgia Hospital Association and also serves as a member of the Finance Committee. He is a member of the Advisory Board for the West Central Georgia CARE-NET of the Rosalynn Carter Institute. He is a member of the American College of Healthcare Executives and the Healthcare Financial Management Association. Mr. Seagraves was awarded the 2007 Robert A. Lipson CEO of the Year Award by the Georgia Alliance of Community Hospitals and was recipient of the Georgia Hospital Association Chairman's Award that same year.

Stephen Machen, Senior VP & COO - Resume

Stephen J. Machen, Senior Vice President and COO. Mr. Machen has been in the Healthcare business for over 30 years. Mr. Machen assumed his current position at SRH in September, 1988. Since September, 1987, he has served Sumter Regional Hospital in several management positions. Before joining the Sumter Regional Hospital, Mr. Machen held the position of Assistant Administrator of Clinical and Support Services at AMI Spalding Regional Hospital in Griffin, Georgia, and Administrative Director of Clinical Services at AMI Hamilton Medical Center, Hamilton, Alabama

Mr. Machen received his Bachelor of Science Degree in Microbiology from the University of Missouri, Kansas City, Missouri, in 1975, and a Bachelor of Science Degree in Medical Technology from the University of Missouri in Kansas City, Missouri. He completed his Masters Degree in Business Administration from the University of Dallas, Dallas, Texas. Mr. Machen is also a Fellow of the American College of Healthcare Executives. A licensed Medical Technologist, Mr. Machen is also a member of: The American Society of Clinical Pathology; The American Society of Medical Technology; The Georgia Hospital Association and the American Hospital Association. He is also a board member of the Sumter County Department of Health.

Troy Hammett, VP Finance & CFO - Resume

Troy D. Hammett, Vice President of Finance and CFO. Mr. Hammett has served as Vice President Finance and Chief Financial Officer of the Hospital and its related organizations since joining the management team in October 2003. He served in an interim CFO capacity from March 2003 through October 2003. Prior to joining SRH, Mr. Hammett held the positions in senior management with the consulting divisions of PricewaterhouseCoopers and KPMG, was CEO of a 150-physician multispecialty physician organization, and Director of Finance for a 300-bed medical center.

Mr. Hammett is a CPA in the State of Georgia and received his Bachelor of Business Administration degree in Accounting from the University of Kentucky, Lexington, Kentucky in 1986. He is a member of the Healthcare Financial Management Association, American College of Healthcare Executives, and the Medical Group Management Association. He served as a Board member of The IPA Association of America and is a Board member of the SRH related organizations of Southwest Georgia Healthcare Association and Sumter Regional Medical Group.



Susan Fussell, VP Nursing & CNO - Resume

Susan G. Fussell, Vice President of Nursing and CNO. Mrs. Fussell assumed her current position at SRH in 2003. Since joining the Hospital in June 1984, she has served Sumter Regional Hospital in postoperative nursing, Risk Management, and senior management roles.

Mrs. Fussell earned her Bachelor of Science Degree in Nursing from Georgia Southern University in Statesboro, Georgia in 1984. She is board certified through the American Nurses Credentialing Center for Medical Surgical Nursing. Mrs. Fussell is a member of the American Society of Healthcare Risk Management, American Organization of Nurse Executives, Georgia Organization of Nurse Leaders, and American College of Healthcare Executives. She holds the Barton Certificate for Healthcare Risk Management. She is a member of the Nursing Advisory Council for Georgia Southwestern University and Chairs the Nursing Advisory Committee at South Georgia Technical College.



Andrew Carlson, MD, VP Medical Affairs - Resume

Andrew C Carlson, M.D. F.A.A.P; Vice President of Medical Affairs and CMO.
Dr Carlson was appointed as the Chief Medical Officer for SRH in March of 2008. He has been a member of the medical staff at SRH since 1991. Dr. Carlson has held various leadership positions within the organization to include Chief of Pediatrics, Chief of the Department of Medicine, and Chairman of the Credentials Committee. Since 1994, he has served as the Chairman of the Board and Medical Director for Southwest Georgia Healthcare Association.

In 1979, he attained a B.A in Biology, Magna cum Laude from Boston University. Following early acceptance to the Boston University School of Medicine, he was granted the Doctor of Medicine Degree in 1983. He completed his Residency in Pediatrics at the Walter Reed Army Medical Center in Washington, D.C in 1986. Dr. Carlson achieved board certification in Pediatrics and has been a fellow of the American Academy of Pediatrics since 1990.

He is currently a member of the Board of Directors for the Sumter Historic Trust and also the Sumter County Child Fatality-Abuse Committee.



Comfort Green, VP External Affairs - Resume

Comfort N. Green, Vice President of External Operations & Marketing. Mrs. Green has been in the healthcare field for over 20 years. Mrs. Green assumed her current position in July 1998. Prior to that, she served as the Director of Marketing & Public Relations from August 1997 to June 1998. Before joining Sumter Regional, Mrs. Green was the Physician Recruiter for a large HMO organization in Chicago for more than 8 years.

Mrs. Green received her Bachelor of Science Degree from Mankato State University in Mankato, Minnesota in 1980. She completed her Masters Degree in Business Administration in 1984 at Mankato State University. Mrs. Green is an active Rotarian and is a member of the Georgia Hospital Association and the American Hospital Association. She is also a member of the Hospice of Americus & Sumter County Advisory Board and was inducted as an Alpha Kappa Alpha (AKA) Legend in the field of healthcare as they celebrated their 100th anniversary.

Letter of Intent (LOI) Summary – Major Terms

- Transaction Structure
- Closing Date
- PPHS Investment
- Hospital Location
- Core Services (Medical)
- Hospital/MOB Construction
- Local Governance/Board
- Loss Minimization Plan
- 40 year lease with reversion to Authority
- April 1, 2009 (tentative)
- At least \$25 million for replacement hospital and medical staff development
- Within 5 miles of downtown Americus
- Same as pre-tornado with exception of Inpatient Behavior Health (unless third party subsidizes)
- Approximately 76 beds/260,000 s.f.
- At least 7 Board members; including 1 ASCHA Board member, 1 SRH physician, 2 additional members from Sumter County. PPHS – 3 members.
- To reduce \$1+ million per month operating losses; ongoing



Letter of Intent (LOI) Summary – Major Terms (Cont.)

- Physician Recruitment
- Employees
- Charity and Indigent Care
- Based on physician need study prepared immediately after closing
- Hire all SRH employees still employed at closing
- Continue to provide

Question & Answer Session

Question and Answer Session must be related to hearing disclosures or specific elements of the Letter of Intent.

Pre-Session Questions:

Question 1: Where is the new hospital going to be located?

Answer 1: PPHS currently has an option to purchase 272 acres located at the northwest corner of the intersection of Hwy 19 and Hwy 280; behind Granny's Kitchen. Due diligence is being performed including environment studies, title searches and appraisal. This will likely be the new site if the outcome of the due diligence process is positive. Alternative sites, including the site of the old hospital, will be considered if this site is not satisfactory.

Question & Answer Session - Continued

Question 2: *Why didn't SRH use the old site for the new hospital?*

Answer 2: Initially, we were going to use the old site mainly because we did not have the funds to purchase additional land. During the course of the partnership selection process, we received feedback from nearly all the interested parties that this site would not be an ideal location for a new hospital. Reasons cited include:

- a) 13-acre site was too small; 25 – 50 acres site needed for planning/future growth
- b) slope of site; difficult site development and costly (estimate at \$5 million)
- c) challenging road system (Mayo St.) – safety and congestions concerns

Question & Answer Session - Continued

Question 3: *Where is the insurance and FEMA money?*

Answer 3: Immediately after the tornado we set up a separate bank account for insurance proceeds and FEMA grant money. The account currently resides with Synovus Trust and SB&T. We used approximately \$17 million of the insurance proceeds to pay off the debt related to the assets that were destroyed. The remaining funds were used to finance the construction of SRH East and cover our operating costs while waiting for FEMA reimbursement and funding of our business interruption (BI) claim from CHUBB, our property insurer.

CHUBB will reimburse SRH an additional \$38+ million (estimate) when we begin construction of the new hospital. Approximately \$31 million of this reimbursement is recorded as a Insurance Receivable on our financial statements.

We are still working with FEMA to receive reimbursement on the costs of constructing SRH East, providing supplemental ambulance services, and other disaster related costs.

Question & Answer Session - Continued

Question 4: *Is it correct that SRH had to find a capital partner (ie, Phoebe) because it did not have enough insurance coverage?*

Answer 4: We had enough insurance to build back a hospital, but it would not be the kind of hospital that the community needs. It is important to remind everyone that we had to use \$17 million of our insurance proceeds to pay off our debt on the destroyed hospital assets, so we don't have that money to put toward the construction of a new hospital. We estimated that we would need \$25 - \$30 million to cover this funding gap which included our FEMA cost share. We attempted to fill this gap through philanthropy, governmental appropriations, and traditional financing alternatives. While we had some success; it was not nearly enough. Also, the loss of physicians has resulting in ongoing operating losses for which we have limited cash reserves to cover.

The destruction of our hospital by a tornado was an unprecedented event in United States history. We were commended by both FEMA and CHUBB for the amount of coverage that we had. It is extremely difficult to predict the cost of a catastrophic event like our tornado.