

Reform. **Transform.** Perform.

Newpoint's principals have advised hospitals across the country on affiliation options in varied situations including hospitals that are prized assets to the communities they serve. We have also managed affiliation transactions or go-forward plans for continued independence, as appropriate. In several cases in which we helped our clients reach a conclusion to stay independent, our work has intentionally remained confidential, but we can discuss the general outlines in person without disclosing identities.

Shore Health System: Nassawadox, Virginia

Merged into an AA rated Virginia not-for-profit system after thorough options process.

Current Newpoint professionals, Joe Lupica and Dr. Paul Bergeron, advised the Board on an options process that would produce a strong outcome, and preserve the support of its local patient base. The conventional wisdom made it a given that Shore would merge with an excellent nearby system who had a keen interest in sweeping referrals from Shore. Keeping an open mind, the Board and medical staff leaders took a closer look at another excellent system with an AA bond rating, and recognized that because that System's facilities were a bit more distant from Shore, it would have limited interest in maximizing referrals out of Shore, but instead would be more aligned with supporting growth right on the Eastern Shore. The Board surprised and pleased many onlookers, especially on the medical staff, by selecting Riverside Health as its partner, negotiating post-closing commitments to support local growth with capital investment and recruiting. Shore remains an independent 501(c)(3), signing a governance agreement to strengthen its access to the capital markets funding under Riverside's AA rating. Riverside exceeded its contractual commitments by doubling its promised investment, building a new campus rather than renovating the existing 1970's facility.

Longtime CEO, Joe Zager (now CEO of Riverside Shore Memorial Hospital), reviewed our performance as follows, *"We felt like Joe and Paul were always looking out for our best interests. They listened to us – relentlessly – and really heard the concerns of our physicians. Joe and Paul respected our proud history and the affection our community had, and still has, for their local hospital."*

Henderson Memorial Hospital: Henderson, Texas

Community hospital merged with strong regional not-for-profit system, but via a lease of its hospital so the local 501(c)(3) can hold the regional system accountable on its commitments.

Henderson Memorial, having served East Texans since 1928, decided to seek an affiliation while still in a strong financial and operating position. Joe Lupica and Paul Bergeron helped the Henderson leadership and physicians establish their "must haves" and conduct a thorough evaluation process based on those criteria. The Board and CEO selected East Texas Regional Health System, rejecting their merger "template" and negotiating stronger local governance terms than that system had ever accepted, along with capital investment and physician recruiting commitments. The local 501(c)(3) retained ownership of the hospital, merging through a lease and MTI compliance, but with strong accountability back to the local entity.

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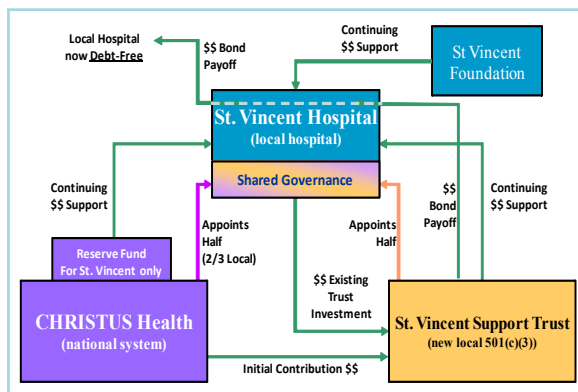
A compilation of the local news stories may tell it best. "We looked at every option to better the health care for residents in Henderson and Rusk County," said Ron Franks, chairman of the Henderson Memorial board of directors. Although the hospital has been in good financial condition, Franks said, "It was a decision based on securing a bright healthcare future for Rusk County." Mark Leitner, CEO, said the community "can remain confident that the hospital will not only survive but will thrive during coming years." In the affiliation agreement, ETMC pledged to make significant facility upgrades, as well as clinical equipment and information technology enhancements. The local hospital will also benefit as it will maintain a majority of seats on the local hospital board.

St. Vincent Hospital: Santa Fe, New Mexico

Added an equal co-sponsor to its existing local 501(c)(3). Selected CHRISTUS Health, a \$4.5 million national faith-based system, which made a substantial capital infusion and set aside a reserve fund for further joint investment with the local foundation.

When the St. Vincent Board asked us to assess its growth strategy and options for affiliation, St. Vincent was already a high-functioning medical center, founded in 1864 and well-supported by its wealthy community. This

hospital faced no severe financial crisis, but wanted to build a second campus and fund a further expansion of its mission to the less fortunate surrounding communities in its region. Its Board also foresaw looming competition from a dominant regional system aggressively threatening to enter the local market in a big way. The Board asked us to help them study the option of continued independence, which we showed they could accomplish, albeit with some risk. The Board and Management chose instead to achieve their aspirations for excellence and mission expansion, without regard for the eventual "ownership" of the hospital. After a thorough process with more than 10 Candidates submitting initial



proposals, the Board selected CHRISTUS Health, a large Catholic system, to join St. Vincent’s newly formed supporting trust as an equal co-sponsor (co-member) of the hospital in exchange for a substantial capital infusion from CHRISTUS and a reserve fund for future joint investment with the local foundation. St. Vincent has the benefit of a system relationship with a \$4.5 billion Catholic health system, but retains its venerable corporate charter as a local not-for-profit organization.

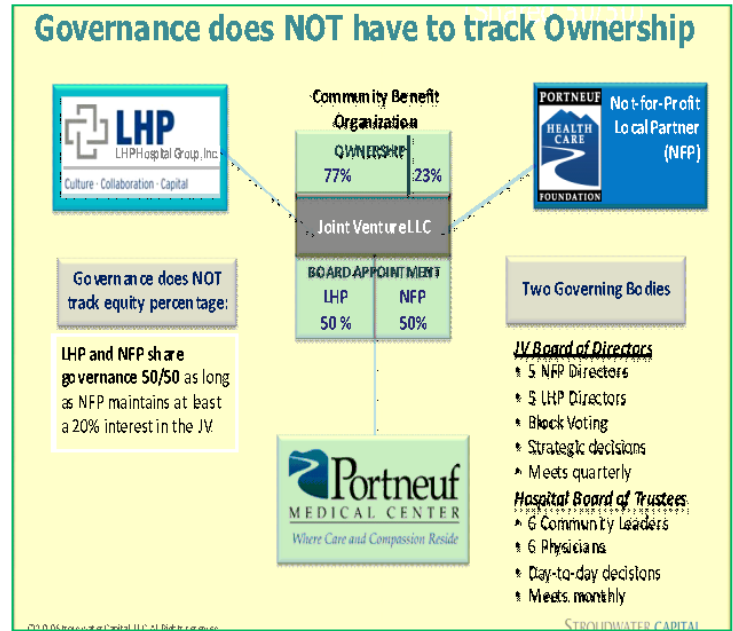
Portneuf Medical Center: Pocatello, Idaho

Groundbreaking non-profit/for-profit LLC with strong oversight by a local Foundation in collaboration with the County; completed \$200 million new hospital campus.

PMC, a county-owned hospital in Pocatello, Idaho, had been formed several years ago through a combination of the two hospitals in the county. The combined entity had embarked on an ambitious program to expand one of its campuses to accommodate the merged hospital. Severe financial pressures placed the completion of the project in jeopardy. PMC’s owner, Bannock County, asked us to evaluate PMC’s potential to complete the new campus on its own, and to represent the County in finding a buyer or partner if appropriate. We guided the County through a robust public discussion and, finally, through 77% referendum vote in favor of our plan to establish a joint venture

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with a well-financed national operating partner who invested \$201 million in the health system for a 77% interest, but split Board control 50/50 with the local partner. Before we even arrived, a heated public battle had been raging among the County Commissioners, leaders of the hospital, medical staff, and the public at large. After we arrived, our in-depth assessment of the hospital's current financial situation and an intensive series of listening sessions with individuals and groups of citizens turned the tide of local opinion and a formerly skeptical medical staff to support the Commissioners' plan to apply our "Community Objectives Process" in full collaboration with the various community stakeholders to source an appropriate partner. After an intensely competitive proposal process, the successful suitor executed a unique non-profit/for-profit joint venture between the local Hospital Foundation and their capital partner. The formerly antagonistic debating teams coalesced around the recommended model, with the citizens voting in a binding referendum more than 3 to 1 in favor of the transaction.



Trustee Magazine found the successful process so compelling that the publication devoted its March 2010 cover story to an article describing our facilitation of the formerly divisive debate and the benefits of the resulting transaction to all stakeholders and the community-at-large.

Las Cruces Memorial Medical Center, New Mexico

Long-term lease of City-County owned hospital in financial distress. Process won top Healthcare Award from National Association of Counties.

Another community-intensive assignment involved both an assessment of policy options on behalf of the joint City/County owners of a public hospital in Las Cruces, NM. The business arrangement resulted in a long-term partnership between the City/County ownership and the new operator of the hospital, and provided the local government owners \$150 million to augment the health status of low-income populations in this border community. The National Association of Counties bestowed its 2005 Best-in-Healthcare Achievement Award to recognize both our public policy process and the operating arrangement negotiated with the new private sector capital partner. The Award singled out the Community Collaboration Model we applied to unify elected leaders, physicians and diverse members of the community to support the resolution of a hotly-debated and potentially divisive healthcare issue.

Ongoing Assignments

We currently have additional advisory engagements, still confidential, to examine affiliation options for other hospitals. These projects, confidential or announced, may each result in an affiliation or in a positive, well-supported re-commitment to independence.