

**1. What is your plan for enhancing healthcare in Starkville going forward?**

One of the Board's goals in pursuing the RFP process for OCH is to ensure that healthcare in Oktibbeha County is preserved and enhanced. Given OCH's recent financial struggles, the uncertainty in the healthcare industry and the County's continuing tax support of OCH, the Board recognized that it had a duty to evaluate whether a sale of OCH would be in the long term best interests of the citizens of Oktibbeha County. Attracting a nationally recognized healthcare system will stabilize, enhance and expand healthcare in Oktibbeha County. The reality is that OCH does not have the financial resources to do that, while the current respondents have proven track record of expanding healthcare and investing in the local communities that they serve.

**2. When does a "Certificate of Need" come in to play and does it affect all hospital services or just selected areas?**

The Mississippi Certificate of Need (CON) laws limit the expansion of certain healthcare services to help control costs. While it is true that the CON Laws limit the ability of hospitals to offer certain multi-specialty areas, these laws *do not* prohibit OCH from offering many services that it presently does not offer, including general cardiac care provided in a hospital setting by a cardiologist. Further, the CON Laws do not restrict the ability of a hospital to offer neurosurgery services. Both RFP respondents are well aware of the CON requirements and implications.

**3. What do you see as the future outlook for local healthcare in relation to national trends of merging healthcare entities?**

National healthcare policies are in a state of extreme flux. In the recent past, provider payments have increased very little and incentive has been given to increasing quality and lowering operational costs to drive financial performance. As a result of the difficult reimbursement environment for hospitals, many owners, particularly of governmental hospitals, are reevaluating the appropriateness of being at risk for hospital costs when there are many qualified healthcare systems willing to assume that risk and return the owner's equity thus reducing taxes and freeing money for other public needs while maintaining the hospital's services, jobs, and overall community benefit.

**4. What are the advantages of selling to a larger hospital group?**

The primary advantages to being part of a large health system relate to scale of support, operating economies, and greater access to capital. Healthcare systems have the capacity and need to have on staff a wide range of experts/specialists in planning, finance, physician and employee recruitment/benefits, budgeting, reimbursement, marketing, etc. to assist local management. Additionally, large health systems offer economies of scale to gain greater purchasing discounts, contract service advantages, better third party payer agreement access as well as shared clinical services, information technology and, importantly, much greater access to capital. Hospitals are capital intensive community service organizations. Adequate capital access for maintaining clinical services, facilities and their expansion requires a great deal of capital.

**5. When would it make sense to keep ownership of a hospital local?**

Maintaining local ownership makes sense when the Hospital has a consistent record of financial performance which provides for revenues and net income sufficient to cover all direct operating expenses, capital investments and provide funds for investment in new services and technologies that are necessary to meet the community's needs without reliance on County financing and tax levies. OCH has historically been \$4 to \$6 million dollars per year short of this goal based on the report rendered by Stroudwater and Associates, the consultant hired by Board of Supervisors to conduct a review of OCH as required by statute. This year OCH could be close to \$10 million short of this goal.

**6. How can the citizens be sure the bidder of the hospital is financially secure?**

The Board of Supervisors will be conducting reverse due diligence on the financial condition and operational capability of the two respondents. Diligence on the financial condition will include review and evaluation of the financial statements of the respondents to confirm that the respondents are financially secure. Diligence on the operating capabilities of the respondents will include conversations with community leaders in counties where the respondents have acquired or partnered with community hospitals to assess how the respondents have performed in those communities.

**7. How will the sale of the hospital affect current bond debt and millage rates?**

As required by Mississippi law and the County's RFP, the sale of OCH would result in payment in full of all outstanding bonds issued by the County or OCH for the benefit of the Hospital (approximately \$35MM) and the removal of the County tax levies that secure the bonds and subsidize the ambulance services which would result in a tax reduction for the citizens of approximately \$1,900,000 annually at the time of the closing. The payment of the outstanding bonds may occur by depositing a portion of the sales proceeds in an escrow fund (a defeasance of the bonds) in which case the funds would only be used to pay off the bonds at the earliest date possible specified by the bond documents. By defeasing the bonds at closing, the County will save significant interest payments that would otherwise be due if the bonds were paid down to maturity.

**8. How would healthcare be expanded with the sale of the hospital?**

Each respondent identified opportunities to enhance or expand clinical services currently provided by OCH, and a few of those areas were mentioned in the Board's previous press release. These respondents have a proven track record of investments in the communities that each serves and without question have the resources that are not currently available to OCH as a stand-alone hospital. Further details, the specifics of which still must be to the satisfaction of the County, will be explored and determined during the RFP process and as part of the reverse due diligence conducted by the Board.

**9. What does the 20-30 million requirement in capital investment actually mean?**

\$20-30 million represents a minimum range for the capital investment that the respondents proposed to grow and improve the quality and delivery of healthcare in Oktibbeha County and the surrounding area. Additional diligence by the respondents would be needed to identify how the funds would be spent but both respondents would seek input from hospital staff and community leaders to determine specific capital investment plans.

**10. How does the contract protect the employment of current physicians and staff? For how long?**

It's important for the public to understand that at this stage in the RFP process the County does not have a contract with either respondent. The County received proposals from both respondents that were reasonable and appropriate for the amount of information that has been provided at this time. As was discussed in the County's press release on September 26<sup>th</sup>, both proposals provided (i) a plan to retain existing employees and

promote retention and stability and (ii) a commitment to collaborate with the medical staff, employees and the community. Employment of all OCH's staff for at least 1 year after any sale will remain a key objective of the County as we progress in the RFP process.

**11. What prompted the Board of Supervisors to explore selling the hospital?**

In April 2016, Governor Phil Bryant hosted a summit to educate and inform community leaders and officials regarding the changes in the healthcare system and the effect on community hospitals. As a result of the summit, the Board of Supervisors, as the statutory owner of OCH, recognized that they had a duty to determine if selling or retaining OCH would best ensure the preservation and advancement of high quality healthcare services in the community. The Board recognized that many factors necessitated that the Board consider selling OCH including: (i) the limited financial capital available to OCH and the County to grow and expand services provided by OCH; (ii) the indebtedness of OCH and the County and the approximately \$1.9 million annual taxes levied on the citizens; (iii) the changes in the healthcare industry resulting in declining surgical and inpatient volumes and increased competition in the community for diagnostic and post-acute services; (iv) an uncertain regulatory environment; (v) the external market impediments imposed on a stand-alone hospital which limit its ability to compete; and (vi) the ability of a financially capable healthcare system to provide expanded healthcare services and financial resources to safeguard the community's healthcare interests.

**12. Is it a conflict of interest for the consultant to also receive a commission on the sale of the hospital?**

No, there is no conflict for the consultant to receive a commission if OCH is sold. The consultant was hired to advise the County in its consideration of the sale of OCH, the management of the RFP process and the transition of OCH operations to a purchaser if a sale occurs. If the County decides to move forward with selling OCH, the sales commission aligns the interest of the consultant with the interest of his client, the County.

In addition, the consultant's compensation was structured in such a way to minimize the upfront costs to the County with recognition from both the County and the consultant that the County only had a limited amount of money available.