

## Transcript of Transylvania Q & A

This document is a condensed summary of questions raised during the public meeting and the Independent Monitor's ("IM") responses<sup>1</sup>. Where the community member made a statement rather than posing a question, such comments are included in a separate document (please refer to the [Community Transcript](#))

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### TRANSYLVANIA COUNTY MEETING TUESDAY, OCTOBER 17, 2023, 5:30pm Eastern TRANSCRIPT OF QUESTIONS AND ANSWERS

Q1: Does HCA have the option to transfer patients to only member facilities when an emergency or surgical service is unavailable or is it by patient request as to where they are transferred?

**IM response:** We would need to confirm with HCA the procedures in place with respect to transfers and whether the procedures are consistent across all the Local Hospitals.

Q2: How much does Gibbins Advisors receive for its Independent Monitor services?

**IM response:** Our fees are pursuant to a confidential contract between us and Dogwood Health Trust.

Q3: Of the \$232 million dollars that HCA was required to invest in the 5 years, is there a breakdown that would show how much went to Transylvania Regional Hospital?

**IM response:** That information is included within the [CapEx reports](#) (Attachment B-1) which HCA provide to us each year. HCA met the \$232 million threshold as of January 31, 2023 having spent \$288.8 million toward the target. Here is a summary by hospital:

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<sup>1</sup> Note that some responses do not reflect the verbatim language used by the Independent Monitor representative during the meeting, with changes made as appropriate to provide a more fulsome response in this document.

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**Summary of HCA's Cap Ex Report:**

Capital Expenditures that may be attributed to the \$232 million Target, summarized by Hospital and by Year

\$ million

Year*	Mission Hospital & Affiliates **	Angel Medical Center	Blue Ridge Regional Hospital	Highlands-Cashiers Hospital	Mission Hospital McDowell	Transylvania Regional Hospital	Subtotal before Adjustments ***	Less Adjustments ***	Capital Expenditures (attributed toward \$232m Target)	Cumulative Total
Year 1	188.2	2.2	1.9	0.5	0.7	3.6	197.2	(159.2)	37.9	37.9
Year 2	75.5	2.9	3.2	1.3	1.8	4.7	89.4	(28.6)	60.7	98.7
Year 3	53.6	26.9	4.9	4.4	1.8	4.7	96.2	(28.3)	68.0	166.6
Year 4	137.4	28.1	5.7	5.4	7.0	3.0	186.6	(64.4)	122.2	288.8
<b>TOTAL</b>	<b>454.7</b>	<b>60.0</b>	<b>15.7</b>	<b>11.6</b>	<b>11.3</b>	<b>16.0</b>	<b>569.3</b>	<b>(280.5)</b>	<b>288.8</b>	

Data Source: Cap Ex Report (as amended) issued by HCA in each of 2020, 2021, 2022 and 2023 as required by the Asset Purchase Agreement.

For simplification, numbers are rounded in this summary to nearest \$100,000 whereas the source file does not provide rounded numbers.

\* For the 12 months ending January 31, Year 1 (2020), Year 2 (2021), Year 3 (2022), Year 4 (2023)

\*\* Includes CarePartners, Medical Office Buildings, NC Division Office and affiliates.

\*\*\* Adjustments represent deductions for New Tower Project commitments, Angel Medical Center, Behavioral Health Hospital, and accounting accruals not applicable to the capital expenditure target.

Q4: Is it possible to get information to show whether or not there has been a decrease, overall, in the number of these services performed at our regional hospital? How many charity care cases are now being handled at TRH versus before HCA acquisition? How many surgeries are being performed at TRH? What is happening in a comparative sense for all those required services under the Asset Purchase Agreement?

**IM response:** We receive some activity information from HCA during our annual compliance evaluation which we use to inform our assessment of HCA's compliance. Unfortunately, the information is provided to us confidentially which prevents us from sharing with the public.

Q5: Does a decrease in oncology care in the region violate commitment #2 in the Asset Purchase Agreement?

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**IM response:** The requirement with respect to oncology is listed under schedule 7.13(a) which falls under Mission Hospital and not TRH, however I understand your point around it being a regional issue too. We are currently investigating compliance concerns with respect to oncology services.

Q6a: What happens to healthcare services when the Asset Purchase Agreement expires at the end of the 10 years? Will we lose services?

**IM response:** The Asset Purchase Agreement (“APA”) is quite complex, so I will provide a simplified response. The answer differs for protected services at the Local Hospitals (per schedule 7.13(b)) as compared to Mission Hospital/CarePartners services (per schedule 7.13(a)).

For the Local Hospitals, the APA protections for healthcare services will expire after 10 years (until 2029). This does not mean that services will necessarily be cut thereafter, however HCA will be free to determine the service mix for the Local Hospitals without regard to the APA.

For the Mission Hospital/CarePartners services, after 10 years (from 2029 onwards) the protections continue. HCA must not discontinue the services in schedule 7.13(a) without the written consent of the Advisory Board, unless an event of Force Majeure occurs that cannot be remediated within a reasonable timeframe or a “Contingency” occurs that cannot be feasibly resolved.

Force Majeure events are those that cannot be reasonably controlled by HCA and include acts of nature (including fire, flood, earthquake, hurricane, tornado, lightning or natural disaster, war, terrorist activities, sabotage, government prohibition, labor dispute, strike, lockout, partial or entire failure of utilities or other vital supplies).

A Contingency is defined in the APA. Examples of a Contingency are a service no longer being financially viable, having inadequate qualified staff, a significant decrease in patient volume, certain changes in law, changes in needs of the community and failure to maintain certain quality levels.

Q6b: After 10 years, will HCA no longer be required to contract with Medicare or Medicaid?

**IM response:** Correct. After 10 years the requirement to remain enrolled and in good standing in Medicare and Medicaid will end. However, for commercial reasons under the current hospital business model and the current Medicare program, the prospect of HCA choosing not to be enrolled in Medicare and Medicaid is unlikely.

Q7: What constitutes Acute Medicine Services as it is mentioned in the 15 commitments?

**IM response:** The language of “Acute Medicine Services” applies to the Local Hospitals only and is defined in schedule [7.13\(b\)](#). Unlike schedule 7.13(a), it is not specific to medical specialties and instead refers to “...diagnostic services and therapeutic services for medical diagnosis, treatment and care of injured, disabled or sick persons requiring an inpatient admission to the hospital...”.

Q8: When determining whether or not a required service is being provided, does the agreement prescribe how much of that service is needed to be compliant?

**IM response:** The asset purchase agreement does not specify volumes or include metrics that must be met with respect to the service requirements in section 7.13.

Q9: What services can be added to the 15 commitments?

**IM response:** The concept of adding requirements to the asset purchase agreement is outside of our control. Our role is limited to monitoring compliance with the terms that were agreed among the parties in the purchase agreement.

Q10: Is there an opportunity to monitor the types of services that are being provided to patients with severe mental illnesses because they’ve often been limited in the Emergency Department?

**IM response:** Behavioral health services are listed as a protected service in schedule 7.13(a) under Mission Hospital, but it’s not specified as a protected service for TRH under the asset purchase agreement. We would like to discuss this further with you.