

Summary of Facts Finding Documentation
Regarding the Proposed Sale of
Crittenden Health Systems

October 9, 2018

Prepared and Presented by: Perry A. Newcom, Crittenden County Judge Executive

The enclosed information is based on the collection of information through numerous available resources for the consideration of the proposed sale of Crittenden Health Systems (CHS). The proposed sale of CHS is one option available for the Fiscal Court's consideration regarding the continuation of health care services to our community and the citizens, businesses, and industrial concerns that make their respective homes in Crittenden County as well as the surrounding region including Southern Illinois. Other options available include a hospital taxing district or closure of the facility. I would suggest that neither of these options are in the best interest of our community.

The proposal to sell CHS is outlined in documentation included in the report on later pages. The consideration of a hospital taxing district is also included in later pages in this report. The possibility or reality of CHS closing is also outlined in this report on later pages per the seven (7) members of the CHS Board of Directors.

This report includes CHS Board of Directors confidentiality and conflicts of interest statements, statements of acknowledgements from each CHS board member regarding the potential for closure of our hospital, the past three (3) years audited financial statements for CHS, a notarized summary of contacts made to all viable and probable entities regarding a partnership arrangement or complete sale of CHS assets with the responses given, a copy of the information provided during a public forum held on September 13, 2018, at which nearly 100 citizens were in attendance, regarding the potential sale of CHS, the sign in sheet from that public forum, fact note copies, a summary of the amount of tax that would be required to cover the losses of CHS should the Fiscal Court consider a hospital taxing district, a summary of the CHS draft asset purchase agreement as of September 22, 2018 as submitted by the CHS Board Chair, a copy of the actual proposed purchase agreement, a short biography of all partners involved with Rural Health Group, LLC, and a copy of KRS 67.0802 Sale...of county property.

Throughout this process there have been numerous hours spent researching the business structure of CHS and the actual ownership of land, buildings, and business assets. I was determined that the County of Crittenden does own all the land and buildings by the issuance of bonds issued in 1972 and completely maturing in 1986. On the 6th of August the Crittenden County Fiscal Court (CCFC) adopted a Resolution and Agreement to support funding through the sale of bonds for financing necessary construct a county hospital (Book 10, page 287).

The CCFC met on 17 August 1968 during which meeting they set an Order for Election on 5 November 1968 the question of whether said county shall issue voted hospital bonds in the amount of six-hundred-fifty-thousand dollars (\$650,000.00) for providing funds for the construction and furnishing a hospital in Crittenden County. If approved the fiscal court shall levy an annual ad valorem tax sufficient for the purpose of paying interest and creating a

sinking fund for the redemption of said bonds when due. If authorized said bonds plus interest shall be paid off within forty (40) years. Bonds shall be issued in one thousand-dollar (\$1,000.00) or five thousand-dollar (\$5,000.00) increments bearing interest from the date of issuance not exceeding six percent (6%) annum. Book 10, page 291. The following is a detail of the process followed by the CCFC regarding the funding and construction of a hospital in or near Marion KY.

15 March 1969 - Hospital Board shall have five (5) members. Three (3) two (2) year terms and two (2) four (4) year terms. After initial appointment each member shall serve four (4) year terms. Book 10, page 314.

21 April 1969 – County Attorney (B.M. Westberry) was directed by the members of the CCFC to negotiate with Hospital Corporation of America on building and operating a hospital in or near Marion KY and report to the CCFC at the next regular meeting. Book 10, page 325.

20 September 1969 – Passed the order to take action necessary to sell bonds for the hospital. Book 10, page 338.

7 October 1969 – Ballot vote taken by the County of Crittenden regarding the question of creating a taxing district to pay bonds sold for construction of the hospital voted in favor, two thousand three hundred fifty-seven (2,357) yes to six hundred thirty-three (633) no. Book 10, page 340.

3 November 1969 – A motion was made to authorize an offer of two thousand dollars (\$2,000.00) per acre to J.L. Gregory for land on which to build the hospital. Motion failed. A motion was made to authorize one thousand five hundred dollars (\$1,500.00) per acre to J.L. Gregory for land on which to build the hospital. Motion approved. Book 10, page 343.

20 December 1969 – The CCFC members requested County Attorney to notify J.L. Gregory that if a price per acre counter offer is not made known to the Fiscal Court by 6 January 1970 the county will evoke eminent domain. There was no further indication as to the final outcome of this statement however it was referred at one point that through Mr. Gregory's attorney a one thousand five hundred dollar (\$1,500.00) per acre price was accepted. Book 10, page 346.

27 October 1970 – CCFC reduced the proposed maturity schedule of bonds from 20 years to 15 years per suggestion from representatives of the bond company. Book 10, page 383.

15 August 1972 – CCFC approved a taxing district of fourteen (.14) cents per one hundred dollars (\$100.00) of assessed real estate and tangible property to create the sinking fund to pay bonds for the hospital. Book 10, page 477.

The first bonds issued were in the amount of two hundred thousand dollars (\$200,000.00) at a five- and one-half percent (5 ½ %) interest rate with the remaining bonds issued in the amount of four hundred fifty thousand dollars (\$450,000.00) at a six percent (6%) interest rate. The first bonds issued matured in 1972 with the final bonds maturing in 1986. Once paid off the hospital taxing district was dissolved.

Further research was accomplished as follows regarding Rural Health Group, LLC:

Crittenden County Judge Executive (CCJE), Perry Newcom, made contacts to the Executive Director of the Kentucky Hospital Association requesting information available regarding the current state of rural health care in Kentucky as well as the United States. That information is included as much of the statistical data made available during the 13 September 2018 public forum.

CCJE Perry Newcom then contacted another facility that had recently been purchased by RHG, LLC in Booneville Missouri. Booneville Missouri is in Cooper County approximately 25-mile northwest of Columbia. The population of Cooper County was found to be approximately nineteen thousand (19,000) and the City of Booneville population is eight thousand three hundred nineteen (8,319) per the 2010 census. The first call was to the local Chamber of Commerce where I spoke with their Secretary (Karen). She was not able to provide any specific information about the hospital, but she did give me a contact number for the past Cooper County Hospital Board Chairman, Mr. Mike Conway.

When I contacted Mr. Conway, he informed me that he had been the Board Chair of Cooper County Hospital and was a local attorney for the firm of Conway and Blank. He went on to say that RHG, LLC had worked in the past for their hospital as a management firm when their facility fell on difficult financial distress. He praised RHG, LLC as a company that saved their community hospital and offered them the only opportunity to have their facility remain open. Many of his comments can be found in the pages of this report near the public forum information.

In closing I will state that this all brings us to the point at which we sit today, 9 October 2018, meeting in Emergency session of the CCFC to determine the fate of our hospital. Whether or not to publicly advertise the intent to accept bids for the sale of the property and buildings of CHS so that we may save what is probably the most vital service industry our community has.

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The CHS Board of Directors have provided their advice to this Fiscal Court regarding the expected outcome of a no decision and that is predicable closure of our beloved and much necessary hospital. This decision is not easy, this decision has taken much deliberation and discussion, this decision is extremely emotional, yet this decision is one that must be made in the interest of our entire community. Based on all information available to us it is my opinion that the less burdensome approach is to sell our hospital to a private entity that has the capability to provide a much broader base of financial stability and service options to for the benefit of our community.

Respectfully and Faithfully Submitted this 9th day of October 2018.

Perry A. Newcom, Crittenden County Judge Executive