

## Bob Wilson

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**From:** Griffin, Kevin <jkgriffin@novanthealth.org>  
**Sent:** Wednesday, November 25, 2015 10:44 AM  
**To:** Bob Wilson  
**Cc:** Hargett, Fred M  
**Subject:** Revised Novant Health Offer Terms

Bob,

Good to catch up this morning, and thank you for the feedback related to our Wilkes RFP response. I would propose the following terms for our revised bid:

**Lease Payment:** \$1 million upfront payment to the Town at the closing of the Transaction, and \$600,000 annual rent payment to the Town for the term of the lease (this payment would include a rent escalator and excess rent payments based on certain targets to be mutually agreed upon).

**Capital Commitment:** \$70 million total capital commitment over a 10 year period, with \$40 million of the capital commitment in years 1-5 and \$30 million over years 6-10.

**Wilkes Foundation:** We would propose establishing a Wilkes Foundation at closing that would be funded with \$4 million of cash by Novant Health. The Foundation would exist to fund healthcare initiatives within Wilkes Regional and to support the local area's healthcare and wellness needs. This Foundation would be governed by an independent board comprised of Wilkes Regional and Town trustees.

We remain excited about the Wilkes Regional opportunity, and hope that these revised deal terms place us in a clear position as the partner of choice. Please let me know if you receive any additional feedback from the board.

Lastly, while to date this has been done as a formal RFP, we would welcome the opportunity to meet with the management and board of Wilkes Regional, as well as the appropriate Town officials to tell the Novant Health story and provide them with a sense of our culture and capabilities as an organization.

Happy Thanksgiving to you and your family.

Kevin

J. Kevin Griffin  
Novant Health  
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Novant Health, Inc.

Long-Term Lease Proposal

Wilkes Regional Medical Center

October 19, 2015

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## 1. STATEMENT OF QUALIFICATIONS

We are pleased to submit a proposal for the long-term lease of Wilkes Regional Medical Center (“WRMC” or the “Hospital”). We feel Novant Health is uniquely positioned to operate the Hospital given the resources we bring to bear in operating an integrated multi-state system that includes flagship tertiary facilities, community hospitals, one of the nation’s largest (by clinic site) employed physician groups, and a robust network of ambulatory facilities that increase access and provide necessary medical services in a convenient environment.

Novant Health has significant experience in operating community hospitals similar to WRMC. In addition to our two flagship tertiary facilities in Winston-Salem and Charlotte and our two specialty hospitals, we operate eight community hospital facilities many of which are in communities similar to Wilkes County, such as Thomasville, NC and Brunswick County, NC. These facilities are complemented by employed local physicians and clinics that facilitate patient access and ease of use. Over the past 15 to 20 years, we have pursued an active strategy to bring care closer to the patient through the development and construction of community hospitals and ambulatory facilities. This organic growth has been supplemented by mergers and acquisitions of hospitals and health systems that, like WRMC, reflect our values and seek to deliver quality care in an affordable and convenient setting.

Novant Health also brings extensive market knowledge as one of the leading healthcare providers in the region. Anchored by our regional tertiary facility, Forsyth Medical Center, our Greater Winston-Salem market includes four community hospitals, over 180 physician clinics, and ten outpatient centers (including freestanding imaging and ambulatory surgery centers) that provide vital healthcare services to a seven-county service area that includes Wilkes County. In this market, we employ over 550 physicians and over 350 advanced care practitioners for a total of over 900 providers. In addition, since 2012 we have operated, through a management services agreement, nearby Ashe Memorial Hospital in Jefferson, North Carolina.

Most importantly, however, we are led by our mission, vision and values with our first focus being providing the “Remarkable Patient Experience” to everyone we serve. We have made, and continue to make, vital investments in our people, technology, processes and facilities to ensure that we are on the forefront of an ever-evolving healthcare industry and that we remain a leader in innovation, quality, and patient satisfaction. As is detailed in the proposal section, Novant Health is fully committed to deploy the full continuum of our resources to position WRMC for sustained growth and continued operational and financial success in the future.

If chosen to be the long-term lessee of the Hospital, Novant Health agrees to reimburse the Town and the Hospital for all of its reasonable consulting and legal expenses incurred in the long-term lease transaction process.

The following section (Organizational Overview) provides additional information on Novant Health and highlights key system attributes that we feel would sustain the success and growth of WRMC.

## 2. ORGANIZATIONAL OVERVIEW

### Novant Health Overview

Novant Health, Inc. (Novant Health) is a private, not-for-profit system focused on delivering the most remarkable patient experience in every dimension, every time, to communities across our southeastern footprint. With almost \$4.0 billion in revenue and a health system comprised of 13 medical centers, a medical group of over 1,300 physicians and over 400 clinic and ambulatory locations, Novant Health is one of the premier regional medical systems in the Southeast. In addition, through Novant Health Shared Services we maintain relationships with eight systems, representing over \$1.5 billion in revenue, throughout our region. Our distinct mission, vision and values, combined with a unique organizational structure, allows us not only to be patient centric, but also physician aligned and physician led.

#### DISTINCT MISSION, VISION AND VALUES

Novant Health's mission, vision and values provide the sound foundation upon which our success has been built over the past several decades. Our mission, vision and values centers on the patient, thereby creating a remarkable patient experience in every decision we make. Novant Health prioritizes partnering with organizations that exhibit similar mission, vision and values, and the drive to impart them throughout the organization.

The infographic is a white rounded rectangle containing four colored boxes. The top row has three boxes: a blue box for 'Mission', a green box for 'Vision', and an orange box for 'Values'. The bottom row is a single purple box for 'Our Promise'. The Novant Health logo is positioned in the bottom right corner of the purple box.

<b>Mission</b> Novant Health exists to improve the health of communities, one person at a time	<b>Vision</b> We, the Novant Health team, will deliver the most remarkable patient experience in every dimension, every time  Safety • Quality Authentic personalized relationships Voice & choice • Easy for me Affordability	<b>Values</b> Diversity and Inclusion Teamwork Personal excellence Courage Compassion
<b>Our Promise</b> We are making your healthcare experience remarkable. We will bring you world-class clinicians, care and technology — when and where you need it. We are reinventing the healthcare experience to be simpler, more convenient and more affordable, so that you can focus on getting better and staying healthy.		

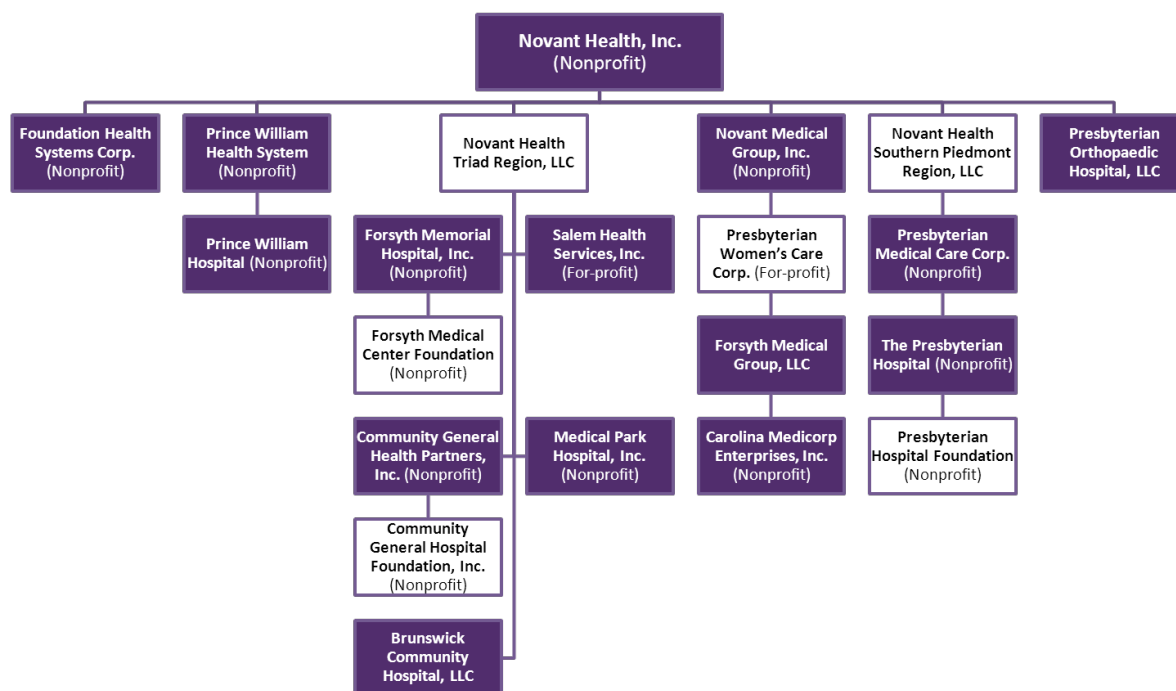
**NOVANT HEALTH**

Novant Health is communicating our vision to employees at every opportunity. Our success is a result of our efforts to create a remarkable patient experience, and that goal is something our employees identify with and have a passion about achieving. Our vision statement is a key component of all of our communications and will be incorporated into any facility with which we partner. Our mission statement can be recited by every Novant Health employee because it is simple, understandable and something everyone can support.

## ORGANIZATIONAL STRUCTURE

Novant Health is an integrated, 501(c)(3) not-for-profit healthcare system focused on delivering an expansive array of healthcare services within our communities. Our organizational structure centers around two key attributes: (i) a unique partnership between administrators and physicians; and (ii) our status as a private, non-profit system. Novant Health's status, combined with self-perpetuating board governance, provides the system with a level of flexibility and nimbleness that allows us to be opportunistic. The chart below provides an overview of Novant Health's organization:

Novant Health Organizational Chart



Note: Members of the Combined Group are shaded

Our administrator/physician partnership facilitates a collaborative approach to management, ensuring that multiple options are brought to the table during strategic and operational decisions. This unique partnership resides not only at the executive management level, but extends down to Novant Health's market leadership teams. Two of our major markets, Greater Charlotte and Greater Winston-Salem, are led by active physicians working in concert with their respective administrative teams to manage all services and service lines of the market encompassing: (i) acute care facilities; (ii) ambulatory facilities and (iii) physician practices. In addition, our Northern Virginia market pairs an administrative leader with a physician leader to design the strategic direction of the market. This collaborative approach amongst the market leadership teams emphasizes early and empowered involvement in strategic issues. In addition, new concepts can be introduced in one market and, when proven successful, implemented in the remaining markets providing mutual benefits for all markets.

## GOVERNANCE

Novant Health's governance structure is based on Boards of Trustees at the regional level, supported by a system-level board that sets and provides oversight for the overall system strategy. Novant Health offers connectivity to the parent organization through a cascading governance structure in which subsidiary boards nominate their members. The Novant Health Board approves the nominees for the local boards.

## EXECUTIVE LEADERSHIP



### **Carl S. Armato, President and Chief Executive Officer**

Carl Armato is the president and chief executive officer for Novant Health. Since joining Novant Health in 1998 as the vice president of finance and operations for the physician divisions in both Charlotte and Winston-Salem, Armato has also served as senior vice president of materials management and logistics for Novant Health. In 2003, Presbyterian Healthcare appointed Armato as chief operating officer and then promoted him to president and chief executive officer in January 2004. In 2008, the health system promoted him to president of Novant Health markets and in 2011 as chief operating officer. The board of trustees appointed him to his current position in January 2012.

Prior to joining Novant Health, Armato was vice president of operations for First Care Physicians and director of finance for the General Health System in Baton Rouge, LA. He was also a senior tax/audit consultant for Ernst & Young in the Baton Rouge office. Armato holds a Bachelor of Business Administration - Accounting from the University of Southwestern Louisiana and a Master of Business Administration from Norwich University of Vermont.

He is a certified public accountant licensed in Louisiana and North Carolina. He is a member of the American Institute of Certified Public Accountants, the North Carolina Society of Certified Public Accountants, the State Board of CPAs of Louisiana and the Healthcare Financial Management Association.

Armato currently serves as chairman of board of Mecklenburg Citizens for Public Education. Past community involvement includes: serving as chairman of the Friends of Scouting Exploring Community Campaign for 2004; member of the 2004 and 2005 American Heart Walk Executive Committee; member VHA Central Atlantic Board of Directors 2005 and 2006; member Central Piedmont Community College President's Council 2006; and past member of Knights of Columbus.



### **Peter S. Brunstetter, Chief Legal Officer**

Pete Brunstetter is chief legal officer and general counsel for Novant Health. Brunstetter has been an attorney for nearly 30 years and served in the North Carolina State Senate from 2006 to 2013, representing District 31.

Prior to joining Novant Health, Brunstetter served as a member of the Novant Health Board of Trustees including three years as chair. He was appointed as an initial board member with Novant Health when the organization formed in 1997 and continued to serve in a variety of capacities on the board for the next 10 years. Brunstetter holds a Bachelor of Arts in Political Science from Tulane University and a Juris Doctor from the University of Virginia School of Law. He is a member of the North Carolina State Bar Association.





**Jesse Cureton, Chief Consumer Officer**

Jesse Cureton is chief consumer officer for Novant Health, overseeing strategic planning, marketing and public relations, government relations, community relations and outreach, the foundations, business development and sales, network development and corporate health, as well as web development and call center relationships.

Prior to joining Novant Health in 2013, Cureton was regional executive, managing director for U.S. Trust, Bank of America Private Wealth Management. He also served in a variety of executive roles with Bank of America during his twenty-five year financial industry career.

Cureton holds a Bachelor of Science from the University of North Carolina Chapel Hill and a Master in Business Administration from Queens University of Charlotte.

He serves as a board member with Queens University of Charlotte, Charlotte Mint Museum and Junior Achievement of Central Carolinas. Prior to joining Novant Health, Cureton served on both the Presbyterian Healthcare and Novant Health boards.



**Jacque R. Daniels, Chief Administrative Officer**

Jacque Daniels is chief administrative officer for Novant Health, overseeing human resources, information technology services, construction and property management as well as the ambulatory surgery division.

Prior to accepting her current role in 2004, Daniels served in a variety of managerial positions within human resources, including senior vice president, director of benefits and compensation, and recruitment and personnel manager for the physician division in the Winston-Salem region. She began her career at Novant Health in 1982 as a medical technologist and clinical educator in the pathology department for Forsyth Medical Center.

Daniels holds a Bachelor of Science-Biology from the University of North Carolina at Greensboro and Master of Business Administration from Wake Forest University.

She serves on the Winston-Salem Chamber of Commerce Board and Executive Committee and is a member of the Allegacy Federal Credit Union board of directors. Over the years, she has also been an active volunteer and held several leadership positions with the Big Brothers and Big Sisters of Forsyth County, Winston-Salem State Foundation Board and the North Carolina Hospital Association.



**Fred Hargett, Chief Financial Officer**

Fred Hargett is Novant Health's chief financial officer. He joined the health system in 2003 and most recently served as executive vice president of finance for Novant Health. Prior to that, Hargett held the position of senior vice president of financial planning for our health system.

Before joining Novant Health, Hargett served as manager of healthcare consulting at Ernst & Young in Charlotte, NC. At Ernst & Young, he led engagements in strategic planning, business development and financial forecasting.

Hargett graduated with a Bachelor of Science degree in Public Health, a Bachelor of Science degree in Business Administration and a Master of Accounting degree from the University of North Carolina Chapel Hill. He is a certified public accountant licensed in North Carolina. In addition, he is a member of the

American Institute of Certified Public Accountants, the North Carolina Association of Certified Public Accountants and the Healthcare Financial Management Association.



**Jeffery T. Lindsay, Chief Operating Officer**

Jeff Lindsay is Novant Health's executive vice president and chief operating officer. He is responsible for operational performance and strategic growth of the health system. Lindsay has worked in healthcare for more than twenty years and has been part of Novant Health since 1996.

Lindsay holds a Bachelor of Science in Business Administration and Political Science from Auburn University and a Master of Science in Health Administration from the University of Alabama at Birmingham. Prior to accepting his current role in 2014, Lindsay most recently served as president of Novant Health Forsyth Medical Center and chief executive officer of the Winston-Salem and eastern North Carolina markets. He began his career at Novant Health as vice president of cardiovascular services and since served in a numerous leadership positions, including president of Presbyterian Hospital Huntersville, president of Rowan Regional Medical Center and chief operating officer of the Triad region.

He serves on the North Carolina Hospital Association as chair of the board and is a member of the Winston-Salem Alliance. Lindsay is also currently serving on the board of directors for the Forsyth Country Day School, Hospice and Palliative Care Center, Senior Services of Winston-Salem and the Arts Council of Winston-Salem and Forsyth County.

**John Phipps, MD, President of Novant Health Medical Group**



John Phipps, MD, is Novant Health's executive vice president and president of the medical group, as well as a practicing endocrinologist at Novant Health Salem Family Medicine.

Dr. Phipps joined Novant Health in 1998 as an endocrinologist at Forsyth Internal Medicine and later Forsyth Endocrine Consultants. Over the years, he has served in a variety of leadership roles across the Novant Health medical group. He has been president of the medical group since 2010.

A native of Winston-Salem, Dr. Phipps graduated with highest distinction from the University of North Carolina at Chapel Hill in interdisciplinary studies. He was a member of Phi Beta Kappa and a varsity athlete. He received his medical degree from the University of North Carolina School of Medicine, where he was a Fullerton Foundation Scholar and a member of Alpha Omega Alpha. Dr. Phipps trained in internal medicine at UNC Hospitals and completed a fellowship in endocrinology and metabolism at the University of Virginia Health Sciences Center. Dr. Phipps is board-certified in endocrinology and internal medicine.

Dr. Phipps is a member of multiple professional organizations, including the American Association of Clinical Endocrinologists, the Endocrine Society and the American Association for Physician Leadership.



### Thomas N. Zweng, MD, Chief Medical Officer

Tom Zweng, MD, serves as Novant Health's executive vice president and chief medical officer. From 2006 to 2014 he was the senior vice president of medical affairs for Novant Health's five Charlotte-based hospitals and Novant Health Gaffney Medical Center, supporting the 2,500 members of the medical staff. He is a board-certified general surgeon and practiced in the Charlotte area for 10 years. Prior to his role in medical affairs, he was the chief of general surgery for the Novant Health Presbyterian Hospitals.

He completed his medical school training at UCLA in 1984, followed by a six-year general surgery residency at the University of Michigan. He was an assistant professor of surgery at the University of Kentucky Medical School from 1990 to 1995 and developed the laparoscopic general surgery program for the university.

### GEOGRAPHIC MARKETS SERVED

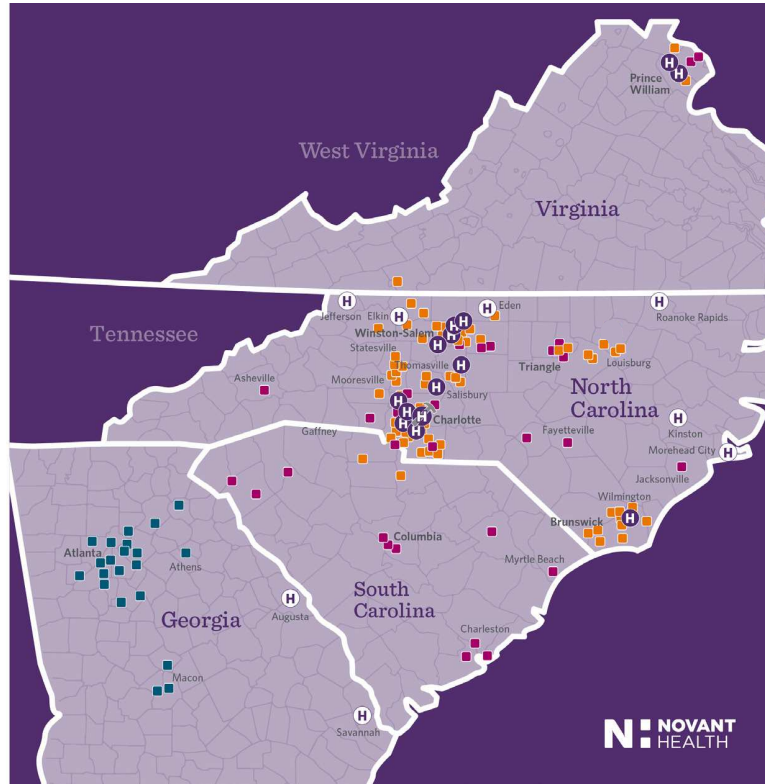
Novant Health's facilities are organized into four markets: (i) Greater Charlotte; (ii) Greater Winston-Salem; (iii) Eastern North Carolina; and (iv) Northern Virginia. In addition, through our ownership of MedQuest Diagnostic Imaging Centers (MedQuest), Novant Health owns and operates 44 imaging centers and manages an additional 22 centers. Novant Health Medical Group (NHMG), with over 1,300 physicians and close to 570 nurse practitioners and physician assistants, provides high-quality patient services at over 400 locations throughout the Southeast. In addition, Novant Health offers the ChoiceHealth network to over 2,000 independent healthcare providers, enabling those groups to function as part of the Novant Health network. The chart below provides an overview of our geographic reach:

Novant Health Locations



Novant Health

- Hospitals
- New hospitals under construction
- Hospitals (Shared Services partnership)
- Physician practices
- MQ owned centers
- MQ managed centers



## **Broad Southeastern Footprint**

Novant Health offers a patient-centric, quality-focused offering of services primarily across a three-state footprint encompassing Virginia, North Carolina, and South Carolina. The core of our system is 13 medical centers located in North Carolina and Virginia. The system also includes 10 outpatient surgery centers, 44 diagnostic imaging centers, over 400 physician clinics, medical plazas, rehabilitation programs and community health outreach programs.

Our served communities' geographic footprint and other facilities can be divided into (i) Greater Winston-Salem; (ii) Greater Charlotte; (iii) Eastern Carolina; (iv) Northern Virginia; (v) MedQuest Diagnostic Imaging Centers; (vi) Novant Health Medical Group.

## **Greater Winston-Salem**

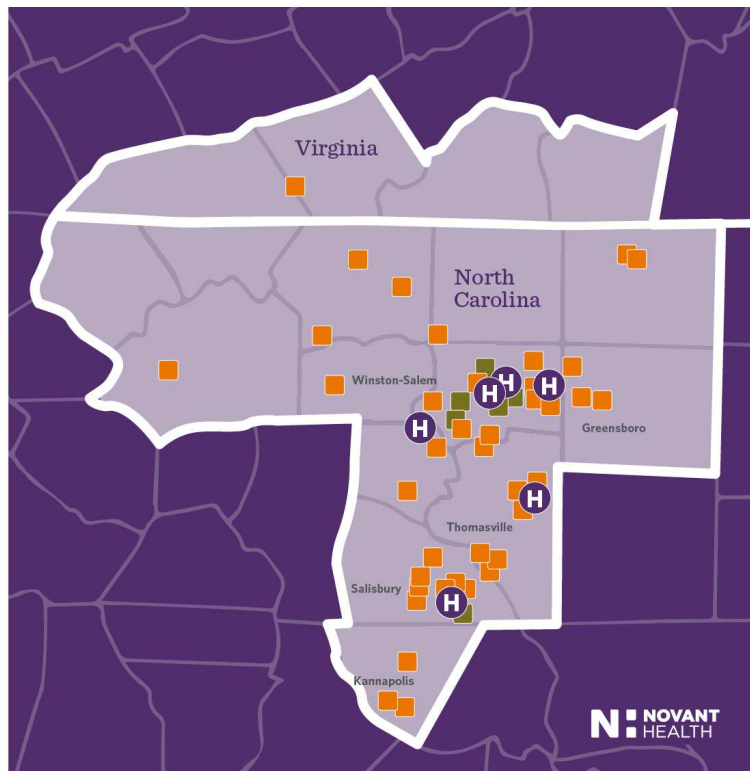
The Greater Winston-Salem market consists of Forsyth County, North Carolina and 6 contiguous counties. Within the market there are 6 medical centers, as well as 181 physician clinics and approximately 10 outpatient facilities. Facilities include:

- **Novant Health Forsyth Medical Center** — 921 bed facility that offers a full continuum of emergency, medical, surgical, rehabilitative and behavioral health services. Centers of excellence include the Rehabilitation Center, Maya Angelou Women's Health & Wellness Center, Heart & Vascular Institute, Derrick L. Davis Cancer Center, Stroke & Neurosciences Center, Orthopedic Center and Behavioral Health.
- **Novant Health Medical Park Hospital** — 22 bed facility that specializes in elective, outpatient and short-stay surgical procedures.
- **Novant Health Rowan Medical Center** — 268 bed facility that provides services such as emergency room, maternity center, surgery, diagnostics, rehabilitation and other specialty care, such as hospice and psychiatric.
- **Novant Health Thomasville Medical Center** — 146 bed facility that provides a full range of inpatient and outpatient services, birthing rooms and emergency department. Novant Health Thomasville Medical Center specialty programs include Heartburn Treatment Center, Total Joint Center, Spine Center, Geriatric Behavioral Health, Chest Pain Center and Sleep Center.
- **Novant Health Kernersville Medical Center** — 50 bed community facility that provides surgery, emergency care, diagnostic testing, inpatient care and other medical services.
- **Novant Health Clemmons Medical Center** — 38,000 square-foot outpatient Medical Center which opened in 2013. The facility features emergency room services, diagnostic imaging, lab and surgical services. Construction of a 36 bed inpatient tower at Clemmons Medical Center is scheduled to begin in late 2015. The expansion will bring inpatient medical and surgical services to the Clemmons campus.



## Greater Winston-Salem Market

-  Hospitals
-  Physician practices
-  Outpatient centers



## Greater Charlotte

The Greater Charlotte Market consists of Mecklenburg County, North Carolina and seven contiguous counties. Within the market there are 4 medical centers, with an additional facility slated for construction in 2016, a children's hospital, 6 ambulatory surgical centers, and 185 physician clinics and other outpatient facilities. Facilities include:

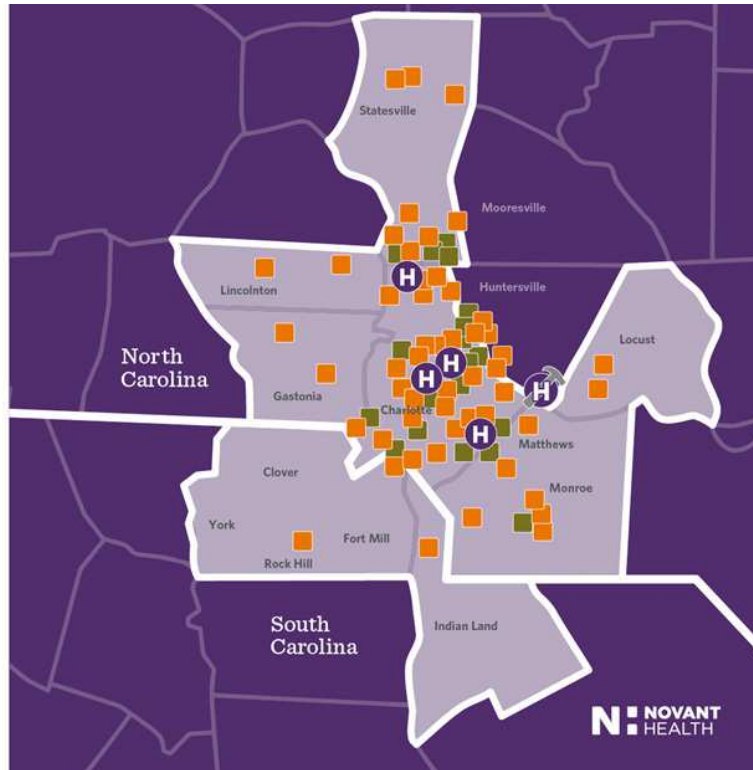
- **Novant Health Presbyterian Medical Center** — 702 bed facility named as one of Becker's top 100 hospitals in the U.S. NHPMC serves as a regional facility with the latest in diagnostic and treatment services. The facility is a leader in providing specialized care to patients with cancer and heart disease. NHPMC also provides maternity care and specialized neonatal intensive care to infants. Centers of excellence include the Heart & Vascular Institute, Cancer Center, Women's Center, Stroke & Neurosciences Center, Rehabilitation Center, Behavioral Health and Children's Emergency Department.
- **Novant Health Hemby Children's Hospital** — Located in Novant Health Presbyterian Medical Center, Novant Health Hemby Children's Hospital provides a wide range of inpatient and outpatient pediatric services, including an intensive care nursery that has had exceptional success in helping premature newborns survive and thrive.
- **Novant Health Matthews Medical Center** — 146 bed facility offering emergency, surgery, maternity, cardiac and cancer services, as well as outpatient services and high-level diagnostic capabilities.
- **Novant Health Charlotte Orthopedic Hospital** — 80 bed specialty facility focusing on orthopedics. NHCOH has been recognized as one of the top 10 hospitals in the nation for orthopedic care and the best in North Carolina.

- **Novant Health Huntersville Medical Center** – 85 bed hospital providing maternity, emergency and outpatient services to the residents of north Mecklenburg County and surrounding communities.
- **Novant Health Mint Hill Medical Center** – New facility scheduled to begin construction in the third quarter of 2016. When complete, NHMHMC will provide surgery, emergency care, diagnostic testing, inpatient care and other medical services.

# NH

## Greater Charlotte Market

-  Hospitals
-  New hospitals under construction
-  Physician practices
-  Outpatient centers





## Eastern Carolina

The Eastern Carolina Market encompasses Brunswick County, North Carolina and two contiguous counties. Within the market there is 1 medical center, 18 physician clinics and multiple other outpatient centers.

- **Novant Health Brunswick Medical Center** — 74 bed hospital located in Bolivia, North Carolina, which opened in 2011. NHBMC provides maternity care, emergency services, surgery, outpatient diagnostic testing and other community healthcare programs.



## Northern Virginia

The Northern Virginia market consists of Prince William County, Virginia and two contiguous counties. Novant Health entered the market in 2009 when Prince William Health System merged with Novant Health. Subsequent to the merger, Novant Health has invested over \$100 million to expand our presence, including the construction of a new 60 bed hospital and surgery center in the market. Facilities include:

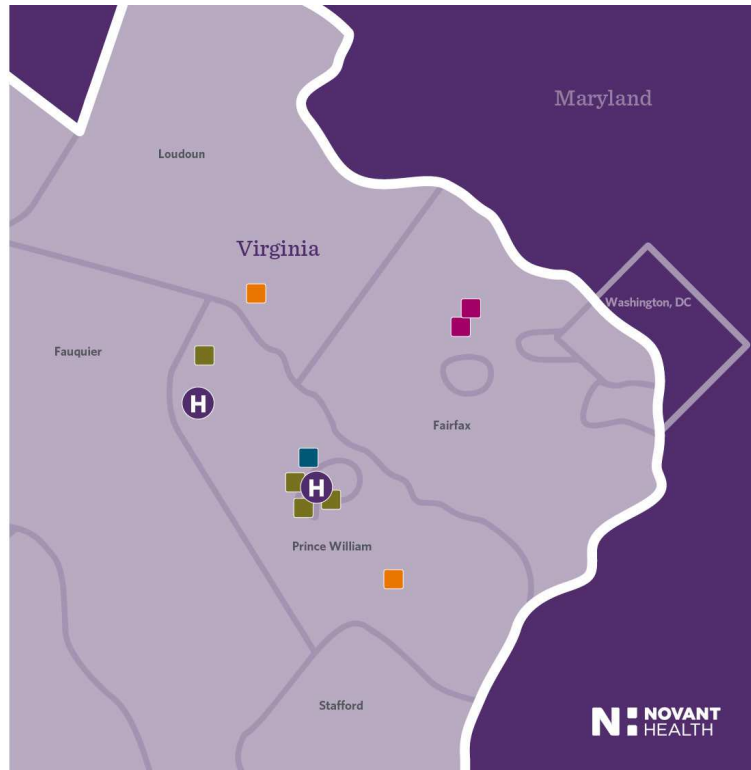
- **Novant Health Prince William Medical Center** — 130 bed facility providing inpatient services in maternity, surgery, cancer, pediatrics, orthopedics and spine, behavioral health and other specialties. In addition to its emergency department, the hospital campus also features comprehensive outpatient services including surgery, diagnostics, physician offices and fitness center.
- **Novant Health Heathcote Center** — Free-standing emergency department in Haymarket. In addition to 24/7 emergency services, the center provides comprehensive outpatient services.
- **Novant Health Haymarket Medical Center** — Novant Health's latest facility which opened in March 2014. NHHAMC is a 60 bed community facility providing residents in the Haymarket area with inpatient and outpatient services.

- **The Cancer Center at Lake Manassas** — Cancer center providing outpatient cancer treatment services to residents of the Prince William and Fauquier counties in Virginia. The center offers several forms of radiation therapy as well as imaging and other related services. Novant Health recently completed the buy-out of our joint venture partner in the center and is now the sole owner.



## Northern Virginia

-  Hospitals
-  Physician practices
-  MQ imaging centers
-  Outpatient centers
-  Assisted living facility



### MedQuest Diagnostic Imaging Centers

Novant Health acquired MedQuest in 2007, becoming one of the largest providers of diagnostic imaging centers in the U.S. MedQuest operates as its own separate, taxable entity under the Novant Health umbrella. The company currently owns and operates 44 diagnostic imaging centers, with the majority located throughout the Southeast. Furthermore, through a relationship with Northside Hospital in Atlanta, MedQuest also manages an additional 22 centers in Georgia.

### Novant Health Medical Group

Novant Health Medical Group (NHMG) is comprised of over 1,300 physicians and over 600 advanced care practitioners who provide patient care in over 400 clinic locations throughout North Carolina, South Carolina and Virginia. Our physician group is made up of almost 50% primary care physicians with the remainder in various specialties including cardiology, orthopedic surgery, pulmonology, infectious disease, endocrinology, neurology, neurosurgery, OB/GYN, oncology and pediatric oncology. The physician network serves patients through a wide variety of care delivery sites, including primary care clinics, a staff model medical clinic, occupational medicine facilities, urgent care clinics, hospitalist services and specialty clinics.



## NOT FOR PROFIT COMMITMENT

As a not-for-profit organization, Novant Health is strongly committed to reinvesting into our facilities and communities. Profits stay local; they do not go to support external shareholders as Novant Health doesn't have any. We make our decisions in support of the long-term needs of our communities versus the short-term desires of investors. Our facilities represent tremendous local assets that create jobs, provide healthcare for everyone—the insured and the uninsured—and keep medical care where our patients and communities need it.

## CHARITABLE VISION

A robust charity care and financial assistance policy is a cornerstone of Novant Health's culture and is an essential element in allowing us to provide remarkable healthcare to all members of our communities, regardless of their ability to pay. Below is an outline of our acute care financial assistance and charity care programs:

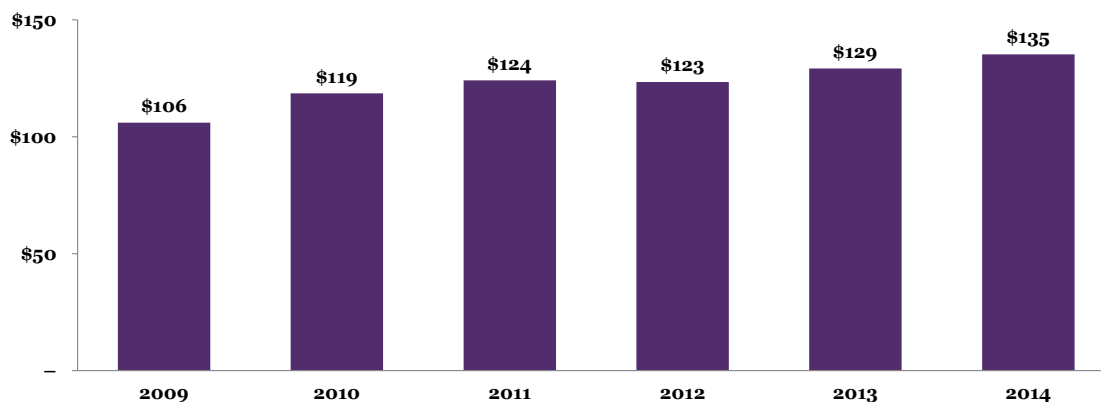
- Novant Health provides free care to uninsured patients with incomes of up to 300% of the Federal Poverty Level, with 100% write-off.
- Uninsured patients with income over 300% of the Federal Poverty Level are eligible for a self-pay discount at managed care rates.
- Any patient (even with health insurance) with a balance over \$5,000 and income over 300% of the Federal Poverty Level is eligible for a catastrophic discount.
- Any patient is eligible for an individualized no interest payment plan based on the amount due and the patient's financial status, with terms extending up to five years.

Under Novant Health policy, for instance, an uninsured family of four with income up to or below \$72,750 would qualify for free care and 100% write-off of all hospital services. A 2010 report by the North Carolina Center for Justice, a leading research and advocacy organization in the State of North Carolina, commented that:

*"...Novant Health has the most sound and clear policy of any hospital system in North Carolina....This policy recognizes the realities of modern family finances."*

The chart below details the cost to Novant Health of providing charity care for 2009 through 2014:

Cost of Charity Care  
(\$ in millions)

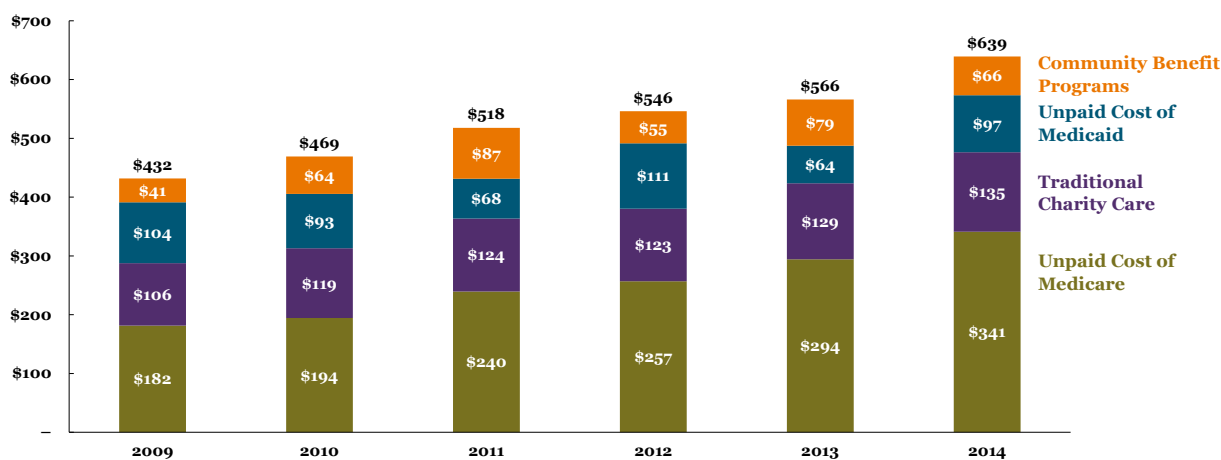


Our charity care policy is the same across all Novant Health markets and we would plan to extend this policy to WRMC under a long-term lease arrangement.

In addition to charity care, our total commitment to community benefit also includes the cost of hundreds of programs that serve our patients, neighbors and some of our communities' most vulnerable citizens. In fiscal year 2014, Novant Health provided \$639 million in total community benefits, which includes charity care, unpaid costs of Medicaid and Medicare, and community benefit programs. The chart below details the components of total community benefit for fiscal years 2009 through 2014:

### Total Community Benefit

(\$ in millions)



Novant Health has a track record of supporting and growing existing community benefit programs and services of hospitals and health systems that have merged or partnered with us. Be it a large urban community such as Charlotte, or a small community such as Thomasville, North Carolina, we tailor our programs and funding to ensure we are best addressing the respective needs of the diverse communities we serve. We realize each community is unique, so our efforts are focused at the local level with each of our facilities determining the needs of their respective communities.

### CHARGES FOR SERVICES

Novant Health considers several factors when determining a price for services, including the value of the service and our cost (expenses) to provide care and treatment.

- Novant Health strives to provide the best value for healthcare services in the communities we serve.
- Each year, Novant Health compares prices of all services to several benchmarks and makes price adjustments as needed. Price benchmarks include the local market price (what other local healthcare providers charge), the value of the service, and our cost (expenses) to provide care and treatment.
- Prices can significantly vary based on the length of the procedure, types of supplies used, any additional subsequent procedures, etc.

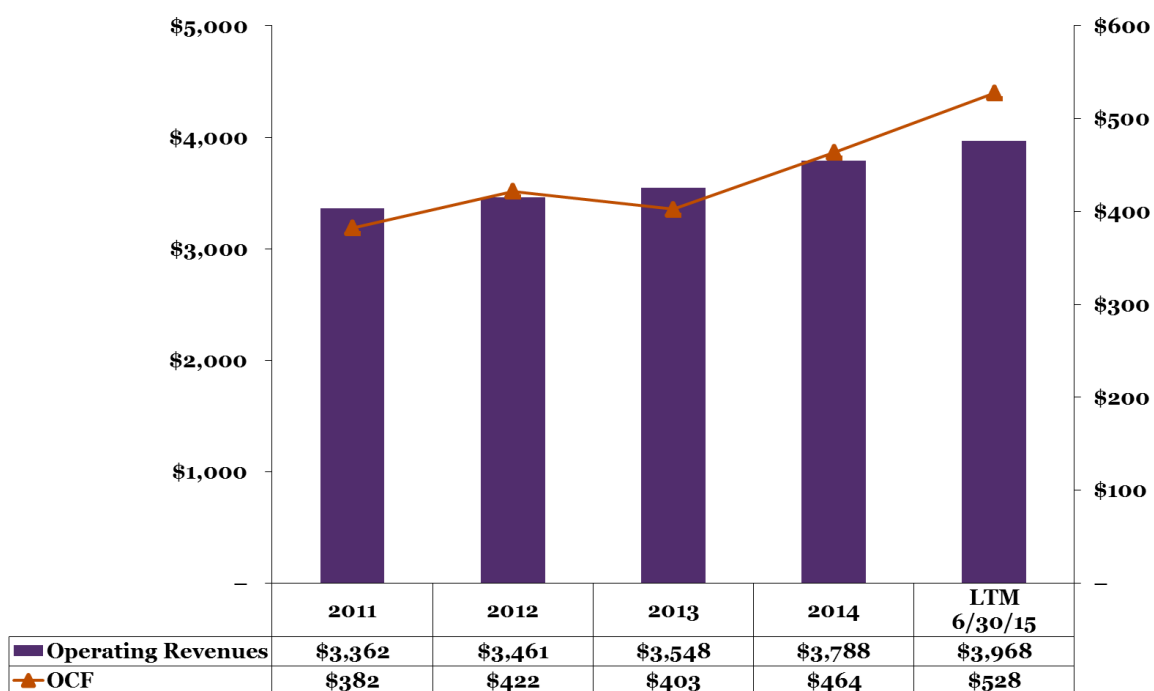
## CONSISTENT FINANCIAL PERFORMANCE

Novant Health has an established track record of delivering consistent financial performance through varying market conditions. Over the past five fiscal years (2010 through 2014), Novant Health has averaged operating cash flow and operating income of 11.6% and 3.2%, respectively. These results demonstrate a healthy and viable financial and operational position, especially when compared to health systems of similar size and geography.

Year-to-date June 30, 2015, Novant Health posted operating revenue of over \$1.9 billion and operating cash flow of \$232 million. The chart below provides an overview of Novant Health's adjusted financial performance for fiscal years 2011 through last twelve months June 30, 2015:

### Adjusted Historical Financial Performance

(\$ in millions)



Note: 2011 and 2012 results have been adjusted to record Medicaid funding in year to which it relates; 6/30/15 results are unaudited

In addition, Novant Health ended June 2015 with a strong balance sheet position with total assets of \$5.5 billion, total liabilities of \$2.7 billion, total net assets of \$2.8 billion, and cash & investments of \$2.6 billion.

Our strong financial position has enabled us to make key investments in information technology (IT), employees, existing facilities and new construction that will position us to effectively deliver a remarkable patient experience to new and existing patient bases for many years to come. Novant Health's current capital plan calls for \$1.4 billion in capital expenditures over the next five years focused on IT and quality initiatives, improvements to existing facilities, new construction, and other strategic capital.

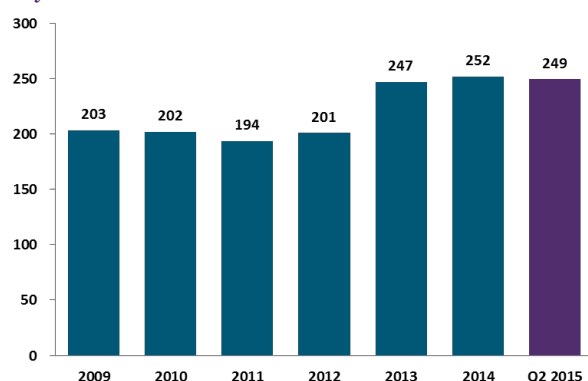
Novant Health's financial viability and balance sheet strength is demonstrated by our current bond ratings of "AA-" by Fitch, "A+" by Standard & Poor's (S&P), and "A1" by Moody's. The outlook for all three ratings is stable and each rating has been maintained for at least five years. Related to Novant Health's Series 2013 bonds, an analyst from S&P remarked that the "A+" rating, "...reflects our view of

Novant’s improved operational performance and sound liquidity, combined with stable patient volumes, and a good geographic dispersion and a strong business position as measured by inpatient market share.”

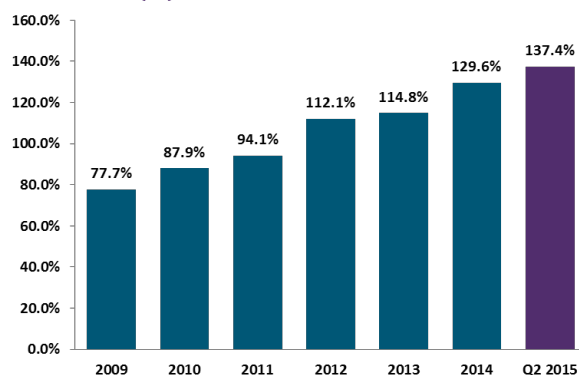
### Leading Financial Metrics

Novant Health is focused on maintaining a strong financial profile, including our current ratings with the agencies. Sustaining a strong profile allows us to continue to make significant investments in our communities and service-lines, further enhancing patient safety, quality, access and affordability. The charts below illustrate Novant Health’s historical financial metrics:

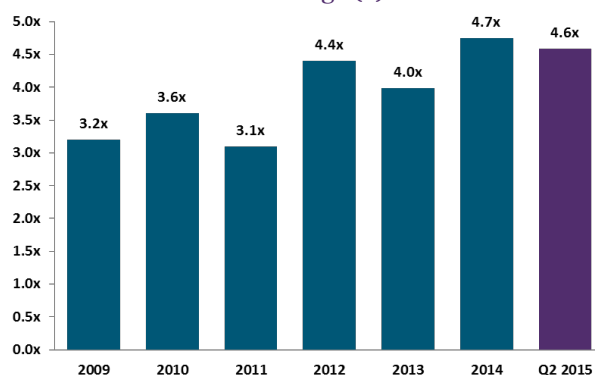
Days Cash on Hand



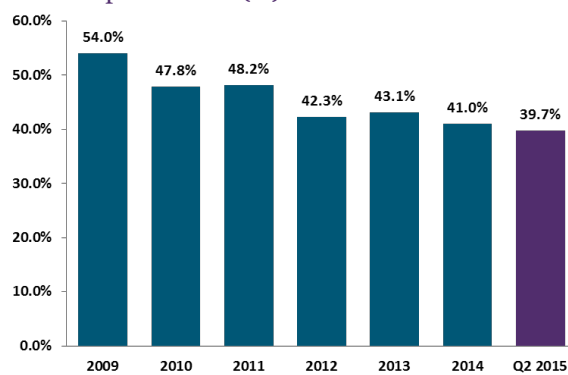
Cash to Debt (%)



Annual Debt Service Coverage (x)



Debt to Capitalization (%)



Note: 6/30/15 results are unaudited

Significant liquidity, modest debt-to-capitalization and robust operating performance are some of the hallmarks of Novant Health’s financial profile.

### Consistent Operations Despite Industry Headwinds

Over the past five years, Novant Health has experienced consistent utilization despite general industry headwinds. Consistent with the industry, we have experienced softening in census as care models continue to shift from an inpatient to an outpatient setting. We have been proactive in anticipating and deploying resources to respond to the challenges presented by an ever changing healthcare landscape.

Despite these headwinds, Novant Health saw consistency in most operating statistics in 2014 including those areas experiencing downward pressure within the industry such as inpatient surgery and average daily census. Discharges, adjusted discharges, outpatient cases, and physician office visits all increased in

FY 2014. Patient days, average daily census, outpatient surgeries, outpatient cases, and physician office visits are on track to be higher in 2015 from previous year on an annualized basis. The chart below details operating statistics for the fiscal year ended December 31, 2011 through year-to-date June 30, 2015:

### Operating Statistics

	Fiscal Year Ended December 31,				YTD June 30,
	2011	2012	2013	2014	2015
Acute Care Facilities	13	13	14	14	14
Licensed Beds	2,619	2,753	2,753	2,668	2,767
Staffed Beds	2,240	2,192	2,228	2,020	1,722
Total FTEs	20,696	21,823	22,096	22,162	21,997
Discharges	120,336	122,231	123,134	123,770	61,118
Adjusted Discharges	236,918	237,794	237,937	246,721	122,878
Patient Days	600,846	596,199	598,731	592,802	300,297
Average Length of Stay	4.97	4.89	4.86	4.83	4.87
Average Daily Census	1,648	1,631	1,640	1,632	1,659
Inpatient Surgeries	30,183	30,275	31,195	30,392	14,269
Outpatient Surgeries	91,494	91,335	92,251	91,206	46,332
Total Surgeries	121,677	121,610	123,446	121,598	60,601
Outpatient Cases	898,479	891,359	870,615	908,684	466,817
Physician Office Visits	3,766,775	3,718,018	3,627,331	3,797,475	2,047,102
ED Visits	518,297	541,806	542,474	536,046	260,593

### MEDICAL STAFF

Novant Health has made physician partnerships a cornerstone of our vision. We have placed physicians in key roles at the market and submarket level to help establish a culture of transparency and physician engagement. This customizable approach was designed to meet the needs of the medical staff at each location. We currently have over 3,600 physician partners in the Novant Health organization: 2,300 independent physicians on medical staff and over 1,300 employed physicians in Novant Health Medical Group (NHMG).

NHMG is a partnership between physician and administrative leaders working to create the remarkable patient experience within each practice. Each practice runs as if it were a stand-alone entity with the physicians playing a key role in the decision making of their practice. NHMG affiliated physicians and practices are supported by physician market leaders, operations specialists, finance, legal, coding, compliance, audit, real estate, billing office, managed care contracting, supply chain, information technology and network development staff. The chart on the following page provides an overview of NHMG physicians by specialty:

## NHMG Physicians by Specialty

Anesthesiology	1	Family medicine	312	Maternal and fetal medicine	4	Plastic surgery	2
Bariatric medicine	1	Gastroenterology	1	Neurological surgery	5	Podiatric medicine	6
Cardiology	71	General surgery	4	Neurology	46	Psychiatry	51
Cardiovascular and thoracic surgery	5	Geriatric medicine	2	Nurse midwife	14	Psychology	1
Counseling	7	Gynecological oncology	8	Nurse practitioner	289	Pulmonary diseases	16
Critical care medicine	1	Hand surgery	1	Obstetrics and gynecology	115	Rheumatology	5
Dermatology	8	Hematology and oncology	36	Orthopedic surgery	27	Sleep medicine	3
Developmental-Behavioral Pediatrics	1	Hospice and palliative care	4	Otolaryngology	2	Social work	7
Dietician	19	Hospitalist	253	Pediatrics	124	Surgery	47
Emergency medicine	1	Hyperbaric Medicine	1	Physical medicine and rehabilitation	5	Thoracic Surgery	3
Endocrinology, diabetes and metabolism	14	Infectious disease	10	Physical therapist	19	Urgent care	12
		Internal medicine	117	Physician assistant	278	Urology	11
		Interventional cardiology	1			Vascular surgery	5

**1,343 physicians**

**1,976 overall providers**

**348 clinics**

**6,534 employees\*\***

Physicians recognized by NCQA\* for excellence in diabetes care **246**  
 Physicians recognized by NCQA\* for excellence in caring for those with heart conditions or stroke **207**

Note: Total physician count above as of 5/31/2015  
 \*NCQA = National Committee For Quality Assurance  
 \*\*includes physicians and allied health providers

## PHYSICIAN ALIGNMENT AND RECRUITMENT

Maintaining collaborative partnerships with physicians is a cornerstone of Novant Health's culture and organizational structure and has been a key to our success. We engage our physicians in every level of organizational decision-making. Physicians serve as trustees on all of our governing bodies; several have chaired these boards including the Novant Health Board of Trustees. Two physicians participate on the Novant Health eight-person executive team and an endocrinologist leads Novant Health Medical Group (NHMG) as its president. In addition, two of Novant Health's major markets, Greater Charlotte and Greater Winston-Salem, are led by physicians. Involving physicians as an integral part of the Novant Health leadership team has created a culture of transparency and physician engagement. The end result is mutual support for a system of care focused on delivering quality and satisfaction for our patients.

This commitment to working in true partnership with physicians would be extended to the existing WRMC physician community. We strongly believe that physician engagement, leadership and integration are necessary to support the continued success of Novant Health, especially as our infrastructure and culture shifts from a fee-for-service to a population health model.

## QUALITY IMPROVEMENT INFRASTRUCTURE

Patient safety and quality are cornerstones of Novant Health's vision of providing a remarkable patient experience in every dimension, every time. Our approach to enhancing quality of care and clinical outcomes is transformative and pervades all we do at Novant Health. Patients receive integrated healthcare services which deliver superior outcomes as measured against national, state and regional benchmarks, peer databases, internal standards, and the patient and family experience.

Novant Health's approach is flexible and adaptable to change, but focuses heavily on precision, physician involvement and best practices. Our quality reporting organizational structure allows for and encourages the sharing of best practices. Additionally, our Chief Medical Officer has a team of senior quality leaders

who specialize in various facets of quality including operational performance improvement, safety and transformation, infection control, regulatory affairs, nursing, and research.

### **Established Track Record of Quality Care**

Novant Health has twice received the prestigious Ernest A. Codman Award from the Joint Commission for improving system-wide the quality and safety of care provided to patients: in 2004 for improving care for patients taking blood thinning medications; and again in 2008 for preventing MRSA infections by improving hand hygiene. We are one of only two health systems nationally to have earned this honor more than once.

### **Innovations in Patient Care and Operational Efficiencies**

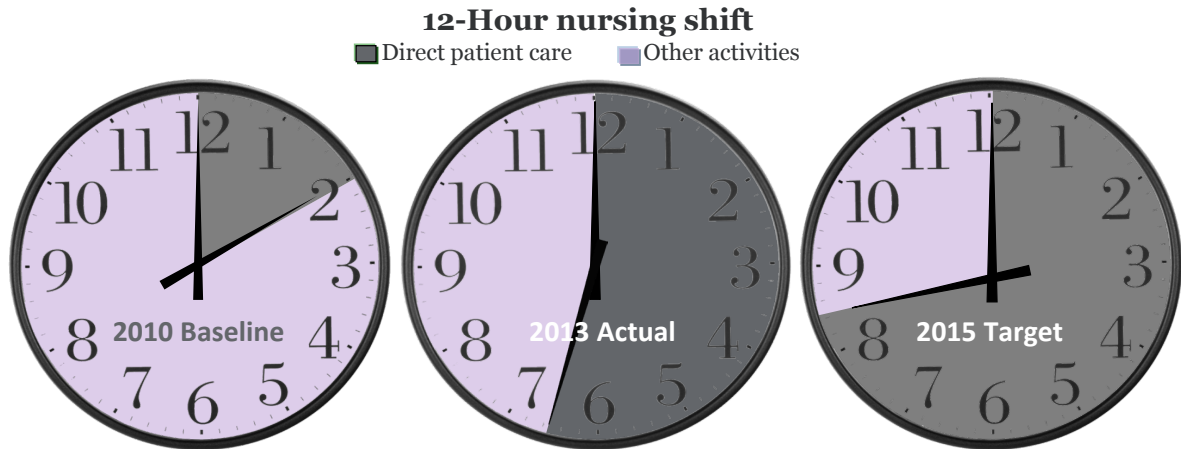
Patient populations are increasingly demanding higher quality care, more affordable care, and care that's easier to access and navigate. Novant Health is rising to the challenge and changing the way we work to be more effective, efficient and affordable in every aspect of the organization. We are devoting considerable resources to changing many of our practices and systems to transform the patient experience from good to excellent to remarkable. From improving accessibility, to billing processes, health literacy, to simply getting to know our patients on a much more intimate level, Novant Health is committed to delivering patients a remarkable patient experience regardless of where they go for care.

Bringing this vision to life is a commitment by every employee of Novant Health. We are becoming more nimble, innovative and precise. Large scale changes have been put in place at Novant Health through clinical transformation to develop new levels of sustainable performance. Through these clinical transformation initiatives, Novant Health has realized savings of \$52 million over a two year period. More importantly, however, this transformation has improved clinical care, increased nursing time at the patient's bedside, and improved patient satisfaction within our facilities.

### **Transforming Care at the Bedside**

Novant Health facilities have implemented key process and design changes to significantly increase the time nurses spend at the bedside allowing them to focus more effort on activities directly affecting patient care. Changes in processes, such as storing supplies in the patient room, charting at the bedside, or having pharmacists deliver medications directly to the patient floor, have reduced inefficiencies and allowed nurses more time in direct patient care. Novant Health has also shifted the responsibility of many routine tasks to staffers (such as LPNs or CNAs) enabling more meaningful interaction between nurses and patients. Our various efforts at transforming patient care have significantly increased the amount of time Novant Health nurses spend at the bedside. The chart on the following page shows our progress since we began this initiative in 2010:

## Time in Direct Patient Care



Studies have consistently shown that increased time at the bedside improves quality of care and reduces falls, infections and medication errors. Novant Health has witnessed these impacts firsthand. Since implementing these changes, the average number of bed calls has decreased significantly and patient falls have been reduced by 70% across all medical-surgical units.

Our efforts have not gone unnoticed. Novant Health's journey to transform care at the bedside has been profiled in several newspapers and periodicals:

**THE WALL STREET JOURNAL**

### **Nurses shift, aiming for more time with patients**

Hospitals are freeing up nurses to do the one thing they often don't have enough time for: taking care of patients.

**BECKER'S**  
**Hospital Review**  
BUSINESS & LEGAL ISSUES FOR HEALTH SYSTEM LEADERSHIP

### **Bringing nurses back to the bedside: How Novant Health tripled direct patient care time**

In 2010, inspired by statistics from Robert Wood Johnson Foundation, Winston-Salem, N.C.-based Novant Health leaders decided to investigate the amount of time the system's nurses were actually spending at the bedside during their 12-hour shifts.

**Healthcare  
Traveler**

### **Hospitals resolve to increase nurses' time at the bedside**

An influx of newly insured patients and additional administrative tasks are taking nurses away from the bedside, but some hospitals are finding creative ways to increase the amount of direct-care time patients receive.

**The  
Advisory  
Board  
Company**

### **Lessons from the C-suite: Carl Armato, Novant Health**

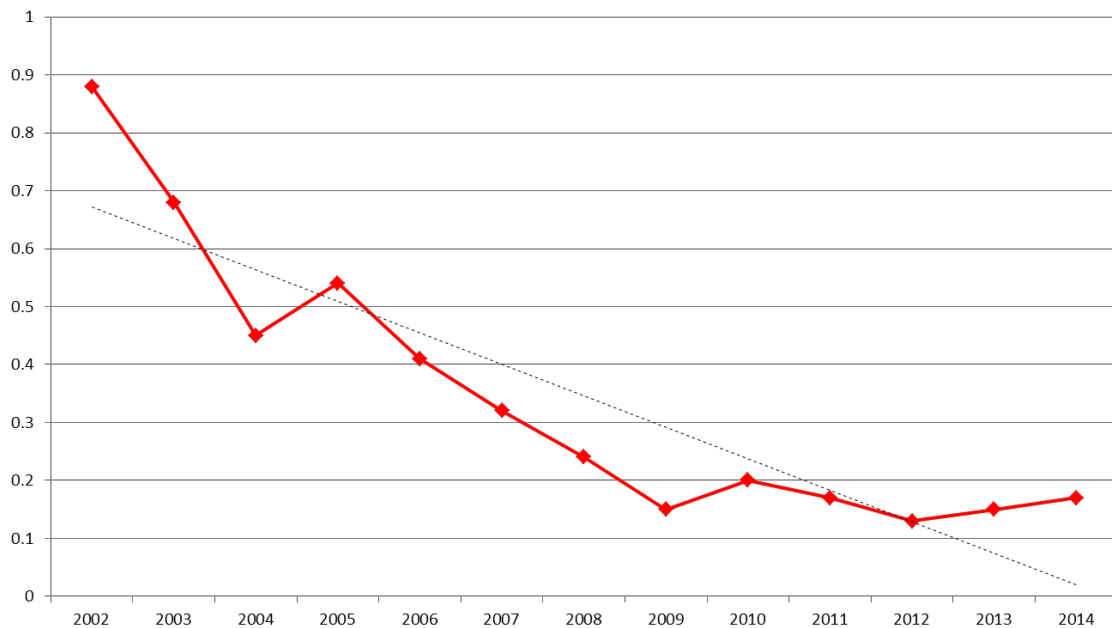
Our nurses, CNAs, and other support staff designed a great team approach that has now been implemented in all of our med/surg units—more CNAs do work under the direction of our RNs, who now can work at the top of their license.



## Hand Hygiene Campaign and MRSA Rates

A strong cultural emphasis on hand hygiene efforts has dramatically reduced MRSA infection rates at Novant Health facilities. The results of the program have been dramatic; Novant Health's Nosocomial MRSA infection rates are among the lowest reported by any healthcare system. For our efforts in reducing MRSA infection rates, Novant Health received the 2008 Ernest A. Codman Award from the Joint Commission. Given the impact that the program has had on the quality of care and safety for patients, we have made available our methodologies to any system in an effort to spread the program globally. Novant Health's hand hygiene information has been downloaded by over 7,100 organizations in greater than 100 countries worldwide. The chart below details Novant Health's Nosocomial MRSA infection rates for 2002 through 2014:

Novant Health's Nosocomial MRSA infection rate — per 1,000 patient days



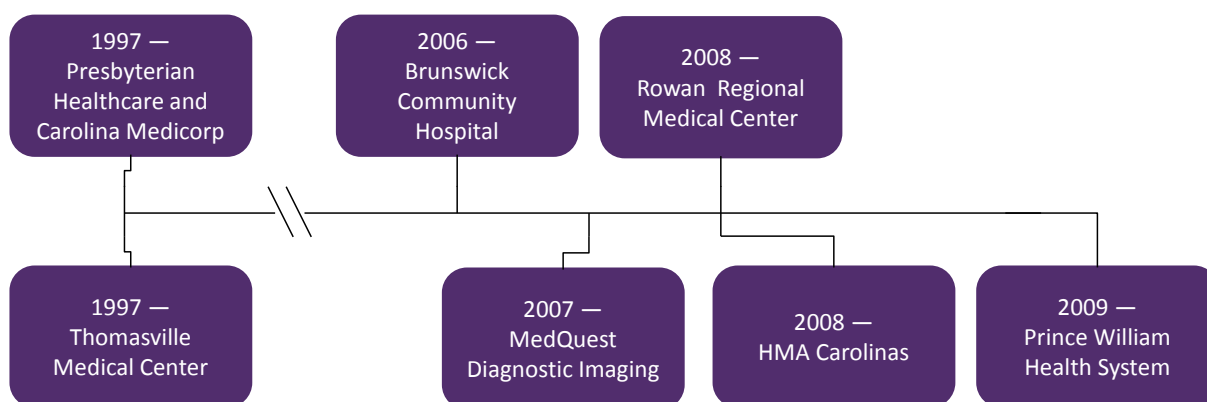
## First, Do no Harm

In 2009, Novant Health launched an intense internal campaign focused on patient safety called “First, Do no Harm,” with a goal of dramatically reducing serious safety events. The focus of the campaign was not simply to implement additional procedures, but rather to change the culture of Novant Health related to patient safety. As such, all Novant Health employees, including physicians and non-clinical staff, participate in “First, Do no Harm” training, which helps to instill the principle that patient safety is a responsibility of all Novant Health employees. Our goal was and remains to transform our culture to one that places patient safety before all else and reduces Novant Health's serious safety events. As a result of this campaign, we have been able to substantially reduce our serious safety event rate from our 2009 baseline.

## BUSINESS COMBINATION EXPERIENCE

Novant Health has a history of executing multiple successful partnerships to grow strategically and expand geographically. Beginning in 1997 with the merger of Carolina MediCorp and Presbyterian Healthcare to form Novant Health, we have executed eight system mergers throughout the Southeast, along with numerous other transactions involving outpatient facilities, imaging centers and physician practices. This track-record of success, along with robust organic growth and prudent capital investment, has been the primary driver of our advancements both clinically and financially. The chart below provides a history of our system partnerships:

### Partnership History



Our partnerships are successful due in large part to the significant amount of intellectual capital we dedicate upfront, along with the financial capital we commit to investing in and growing the system. This dedication of resources has produced significant, tangible results, not just financially, but most importantly in areas such as quality, safety and patient satisfaction.

### Case Study: Prince William Health System

Novant Health partnered with PWHS in 2009 to establish a significant presence in the state of Virginia. Prior to adding PWHS, our presence was limited to a handful of MedQuest imaging centers located primarily in the Richmond area. Novant Health and PWHS executed a merger agreement and we committed to investing over \$200 million over 10 years to establish PWHS as its own region within Novant Health and act as our Virginia hub. Since completing the transaction, PWHS has seen marked improvements in quality, safety, patient and employee satisfaction, and financial performance, while making significant capital investments.

### Quality and Safety

Novant Health focused intently on swiftly elevating the quality and safety profile of PWHS post-transaction. We implemented our First Do No Harm program, invested in full-time VPMA to champion quality and assist in physician education, and added clinical analysts dedicated to quality. The results were significant:

- Decreased and sustained serious safety rate to zero by July 2011
- Zero central line associated blood stream infections by April 2011
- Increased safety reporting by 52% from 2010 to 2011, to 71% from 2011 to mid-2012
- 70% increase in “Near Miss” reporting rate, improving transparency and communication
- Zero ICU ventilator associated pneumonia since 2010

## Satisfaction

The substantial increase in efficiency, quality and safety at PWHs manifested itself noticeably in both patient and employee satisfaction. Most notable was inpatient satisfaction where Novant Health was able to drive an 11% increase in HCAHPS “Overall Rating Likely to Recommend” scores. Furthermore, we introduced our physician model, resulting in improved physician partnership and alignment. Finally, by focusing not only on patient satisfaction, but also on efficiency and employees, Novant Health elevated employee “overall as a place to work” rating by nine percentage points.

## Financial Performance

By partnering with Novant Health, PWHs was able to realize multiple significant financial benefits. Post-transaction, Moody’s raised their rating of the system from A3 to A2. Revenue enhancements and improvements in supply chain drove a 5 – 8% increase in operating cash flow. In addition, by partnering with existing MedQuest facilities in the region, PWHs saw a 15% increase in imaging volume at locations in Haymarket. In 2013, Novant Health refinanced PWHs’s debt under Novant Health, raising PWHs’s credit rating and lowering borrowing costs substantially.

## Investment

As part of the merger agreement, Novant Health committed to investing over \$200 million in capital in the system. With the opening of the new community hospital in Haymarket we have almost completed our capital commitment in just over six years. Through the support of Novant Health, PWHs has been able to make other critical investments to expand its presence and services including:

- Opening of the new \$110 million community hospital in Haymarket
- \$18 million investment in the Lake Manassas Cancer Center
- Opening a \$2.8 million cardiac cath lab
- \$2.3 million renovation of IP orthopedic and oncology wings
- Created dedicated outpatient infusion care center
- Developed Sports Medicine and Concussion Management programs
- Launched \$1.0 million Robotic Makoplasty Surgical Program
- Implemented Neuro-Telemedicine to manage stroke care

The combination of the PWHs platform and Novant Health resources has yielded results well beyond the expectations of both systems. The successful integration has also provided a roadmap for expanding into an entirely new region for Novant Health.

## **Case Study: Brunswick Medical Center**

Novant Health took over the lease and management of Brunswick Medical Center on March 1, 2006, previously leased by HCA, a for-profit entity. Brunswick Medical Center celebrated many successes in the first twelve months post-transaction including improved physician and employee morale, improved quality, an increase in staffing ratios, and higher patient volumes.

## Focused Integration

During these first several months after close, Novant Health sent multiple teams to the community of Supply, North Carolina to assist the local leadership team in assessing all areas of the hospital and begin planning and implementing new processes and services. Throughout the integration, teams from all areas of Novant Health continued to travel to Supply to assist local leadership on a regular basis. This dedication and focused integration led to a number of accomplishments during this period including:

- Recognized by the North Carolina Center for Hospital Quality (NC Quality Center) as Most Improved for Pneumonia Care and Surgical Infection Prevention Care in 2008 and as a Most Reliable Hospital in Surgical Infection Prevention in 2009

- 2009 Excellence in MRSA Reduction Award from VHA for reducing hospital-acquired MRSA infections by more than 50 percent per 1,000 patient days in 2009 as compared to 2008
- 150 new employees hired
- Significant improvement of key volume and financial indicators
- Improved employee satisfaction
- PRC 4-star Award for top 25% – “As a Place to Work” and “Executive Leadership”
- Added 6 active and 11 consulting physicians to medical staff
- Successfully surveyed by JCAHO and the Department of Health
- \$5 million spent recruiting and integrating physicians

#### Capital Improvement

After assessing the infrastructure, Novant Health obtained state approval to build a replacement hospital that was over three times larger than the existing hospital. The new \$100 million hospital opened in July 2011 and includes 78 beds (74 acute care and 4 observation beds) and 5 total operating rooms. Services include a 24-hour emergency department, maternity center, intensive and progressive care units, surgical services, and imaging and laboratory services, as well as physical therapy, speech therapy, cardiac rehabilitation and pulmonary rehabilitation. Denise Mihal, then President of Novant Health Brunswick Medical Center, expressed Novant Health and NHBMC's joint goals at the facility opening by stating, “We are excited about opening the new hospital in a county where local residents have so passionately declared the need for increased access to healthcare. Our leaders, physicians, nurses and staff will work to ensure that this hospital lives up to the community's expectations and that it is a model of patient care both locally and across the state.”

### 3. PROPOSAL

#### **I. Lease Proposal and Governance**

**A.** Describe the long-term lease proposal that your organization contemplates based upon the requirements of this Request for Proposal.

- 1.** Describe the term and termination provisions you anticipate in your lease proposal.

Novant Health proposes a long-term lease for a market term (at least 30 years) with annual base rent and incentive payments consistent with the current lease and provisions that any leasehold improvements (capital investment) made by Novant Health during the lease term be purchased by the Town at net book value (cost minus accumulated depreciation) at expiration of the lease. Depending on governance structure (see below), we would either amend the current lease or enter into a new lease with the Town.

- 2.** Describe your lease payment proposal, including a specific amount that would be allocated as an up-front lease payment, and the amount of annual lease payments.

Consistent with the current lease terms, Novant Health will make annual rent payments of \$600,000 with provisions for excess rent payments contingent upon meeting certain financial performance metrics.

In addition to the rent payments detailed above, Novant Health would commit to provide \$75,000,000 in capital funding that would cover both replacement and growth capital.

- 3.** How will lease payments be adjusted, if at all, during the term of the lease?

Novant Health proposes to maintain the current lease payment structure of base rent of \$600,000 per year with provisions for excess rent payments contingent upon meeting certain financial performance metrics. We are willing to discuss with the Town a provision for annual inflation adjustment to the base rent payment.

**B.** Describe the governance structure for the Hospital that your organization anticipates implementing as a consequence of the lease.

Novant Health is willing to consider various governance structures, including but not limited to:

- Member-substitution agreement whereby Novant Health (or subsidiary) would become the sole member of the WRMC Hospital Operating Corporation. The lease between the Town and the WRMC Hospital Operating Corporation would continue subject to the lease amendments proposed above.
- Creation of a wholly-owned Novant Health entity to operate the Hospital whereby the existing lease is terminated and the WRMC Hospital Operating Corporation is dissolved. The Novant Health entity would enter into a new long-term lease agreement with the Town.

Each structure has its benefits and considerations and further evaluation is required to determine which structure would be most beneficial for all stakeholders. Regardless of structure, Novant Health plans to maintain a local board to provide input as to the direction of WRMC on a continuing basis.

From a management standpoint, WRMC leadership would report to the Greater Winston-Salem market leadership, consistent with the other facilities in the market.

**C.** How will the proposed governance structure preserve community input and influence the future of the Hospital?

The proposed structure will preserve community input and influence through the continuation of a local Board. In our experience, Novant Health and our member hospitals are most successful when local communities are engaged to determine local needs.

**D.** Describe what guidelines are utilized by your organization to provide support for community health care activities.

Novant Health has a system wide funds policy that sets guidelines for charitable contributions, sponsorships, outreach and in-kind support. Contribution consideration is given to organizations that promote healthy living or disease prevention for the general public; closely fit the Novant Health mission, vision and community needs assessment; address a target population in the communities we serve; and are a 501(c)3 designation, in good-standing within the community.

**E.** Describe your organization's historical support of hospital foundations.

Foundation activities within Novant Health are structured to retain local autonomy and ensure that fundraising is tailored to meet the unique health needs of the various communities we serve. Novant Health has eight local foundations that benefit the following facilities and their respective communities:

- Novant Health Forsyth Medical Center
- Novant Health Presbyterian Medical Center
- Novant Health Thomasville Medical Center
- Novant Health Brunswick Medical Center
- Novant Health Rowan Medical Center
- Novant Health Prince William Medical Center
- Novant Health Kernersville Medical Center
- Novant Health Clemmons Medical Center

With the exception of Novant Health Kernersville Medical Center and Novant Health Clemmons Medical Center, which are rolled up into Novant Health Forsyth Medical Center, all local foundations retain a local staff and board that work closely with their respective market/facility leaders to catalog each community's needs. Local foundation leaders report to the Novant Health Senior Vice President of Foundations who provides corporate support and helps to coordinate activities and campaigns that are developed at the market level. This structure allows the foundations to retain local autonomy and decision-making while benefitting from the resources and scale of a multi-state system.

In addition, all Novant Health foundations have access to our wholly-owned asset management subsidiary, Novant Health Asset Management Company (NAMCO). Working with NAMCO provides these boards access to years of investing knowledge, a unique benefit not found in other systems. Furthermore, the costs of utilizing NAMCO are borne by Novant Health Corporate, not by the boards themselves.

1. How have hospitals' foundations been handled in similar transactions involving your organization?

Novant Health has experience and is very comfortable with local foundations having autonomy. This can be seen through the mergers of both Rowan Medical Center in Salisbury, North Carolina and more recently Prince William Health System in Manassas, Virginia. Both of these facilities have foundations that existed before the merger with Novant Health that continue to operate with local board governance and decision rights.

2. Will your organization make a commitment to donate a lump sum or annual sum to a hospital foundation (the "Hospital Foundation") as a part of this transaction? If so, in what amount?

As a not-for-profit organization, Novant Health's typical merger or acquisition model provides for a long-term capital commitment which is used to fund sustained growth and ensure the operating viability of the hospital. As such, we do not anticipate making a lump sum or annual donations to the Hospital Foundation.

3. Will your organization make a commitment to match donations to the Hospital Foundation? If so, in what amount, and for how long?

We do not anticipate making matching donations to the Hospital Foundation. See response above.

## II. Management

- A. What commitments can your organization make to preserve and enhance the existing vision and mission statements of the Hospital?

Novant Health seeks to partner with organizations who share like missions, visions and values in order to maximize the impact to the community of the new partnership. We view the mission, vision and values of Novant Health and WRMC as having close alignment, in much the same manner as our other successful partnerships have had prior to combining. Our mission to "improve the health of our communities, one person at a time" fits closely with WRMC's mission to "promote the health of our region as an exceptional and compassionate provider of care."

Novant Health is committed to working with WRMC to deliver on the vision to be "the provider of choice in the region, demonstrated through a commitment to quality-driven care, an exceptional patient experience, fiscal responsibility, and trusted relationships with our patients, employees, medical staff, and strategic partners." Novant Health is guided by its vision to "deliver the remarkable patient experience, in every dimension, every time." To do this, we have made significant investments to increase patient and employee satisfaction, improve quality and safety, and expand our employed physician network to increase access of care for all our communities. We will leverage the investments we've made and the lessons we've learned to help WRMC deliver on its vision.

- B. Will your organization maintain, grow, or reduce the Hospital's current levels of charity care?

Novant Health's charity care policy for acute facilities provides for full write-off to uninsured patients with household incomes of up to 300% of the Federal Poverty Level (FPL). Novant Health also offers a catastrophic discount for patients with an account balance greater than \$5,000, flexible payment plans,

and discounts for uninsured patients who do not qualify for the charity care program. In addition to these programs for our acute facilities, Novant Health physician groups and outpatient centers also have charity care programs to assist patients in need. WRMC current policy provides charity care to uninsured patients earning 200% or less of the FPL. We would plan to bring WRMC under Novant Health's charity care policy, thus expanding charity care eligibility from 200% to 300% of FPL.

1. How does your organization define "charity care," "indigent care," and "bad debt?"

Charity care / indigent care are defined as services provided to patients who do not have the ability to pay, as determined by our financial assistance policy. For our acute care facilities, this policy provides for full write-off to uninsured patients with household incomes of up to 300% of the Federal Poverty Level. Bad debt is derived from patient accounts where individuals have not qualified for charity care under our financial assistance policies, and are unwilling to submit payment for their account balance.

2. What percentage of revenue does your organization provide for charity care?

In 2014, Novant Health's charity care as a percentage of total system gross revenue was 4.3%.

3. What percentage of revenue does your physician network, if any, provide for charity care?

In 2014, Novant Health's physician network charity care as a percentage of physician network revenue was 0.4%.

- C. Will a commitment be made to retain the Hospital's existing management team?

1. Will the management team retain their existing jobs?

For acquired or merged facilities, we generally prefer to retain the existing management team as it helps maintain continuity of operations and facilitates system integration. That being said, at this time, we do not have sufficient information to render a decision regarding the management of WRMC. We will need to perform a more detailed evaluation of current operations and system needs to determine what is in the best interest of WRMC.

2. Will the management team be eligible to be considered for other jobs within your organization?

Opportunities for development and promotion across Novant Health's enterprise and geographies would be made available to all retained WRMC employees as positions and opportunities arise across the system. As an example of this, several management personnel of our previously merged or acquired facilities have moved into other leadership roles with Novant Health.

3. What is your organization's process for implementing an executive/leadership succession plan, and who would make those decisions for the Hospital?

Our process for succession planning is to first assess executive leadership needs for the facility. From there, we perform both an internal and external search for the executive candidate who best meets the needs of the facility. If necessary, we



have the ability to accommodate an expedited hiring process and have had success in the past hiring high quality executives for market leadership positions in a condensed timeframe.

**D.** What is your commitment to the Hospital's operating affiliates?

- 1.** Describe how your organization would maintain and grow Wilkes Physician Network, Inc.

We have been successful in recruiting, retaining and aligning local physicians in the markets of acquired or merged facilities. This fact is demonstrated in the markets of Rowan County, NC (Rowan Medical Center) and Brunswick County, NC (Brunswick Medical Center). The total employed physician base in Rowan County has grown to include 75 providers (including physicians and mid-levels) in various specialties such as primary care and family medicine, pediatrics, orthopedics, obstetrics and gynecology, ENT, psychiatry, general surgery, bariatric surgery, and neurology. Brunswick County has a total of 57 employed providers (including physicians and mid-levels) in various specialties such as primary care and family medicine, obstetrics and gynecology, general surgery, urology, plastic surgery, and pulmonary and sleep medicine.

From a practice perspective, NHMG creates a market-attractive environment for physicians through a model that provides the necessary resources, infrastructure and autonomy to allow physicians to focus on providing the best care to their patients while operating financially viable practices. In addition to facilitating strong financial performance through economies of scale, our physician support services decrease the day-to-day administrative burden on physicians allowing them to devote more time to providing remarkable care to patients. This patient-focused model is reinforced in the culture of the medical group by having physician leaders in top level positions. Also, by treating each of the practices as stand-alone entities, the physicians take pride in their individual practice and strive for excellence.

Over the past 10 years, NHMG has focused intently on expanding its reach through growth in the physician base, while simultaneously enhancing and multiplying its service lines. Since 2005, NHMG has succeeded in accomplishing both of those goals, increasing the employed physician base from 500 in 2005 to over 1,300 in 2015 while adding or enhancing multiple service lines and practices. Physicians are choosing to partner with Novant Health because we are committed to their success through shared leadership, infrastructure and financial vitality. The chart below shows growth in NHMG physicians and mid-levels from 2005 through 2014:

NHMG Providers All Markets				
As of	Physicians	Mid-Level	Total Providers	Y/Y Growth
2005	554	174	728	N/A
2006	641	207	848	16.5%
2007	813	278	1,091	28.7%
2008	1,036	339	1,375	26.0%
2009	1,045	353	1,398	1.7%
2010	1,092	354	1,446	3.4%
2011	1,124	386	1,510	4.4%
2012	1,123	407	1,530	1.3%
2013	1,215	475	1,690	10.5%
2014	1,306	573	1,879	11.2%

Leveraging the capabilities of Novant Health Medical Group, WRMC could embark on expanding its employed physician base through expanded physician outreach. This would be accomplished initially through expansion of additional primary care practices. These practices would be augmented with urgent care sites, extended hours, and specialty practices all linked together with a single practice management system and electronic health record enabling one patient record.

2. Describe your commitment to maintain and grow the Hospital's Wound Healing Center.

Novant Health currently operates several wound care clinics including a successful center in Forsyth County (Winston-Salem), Novant Health Wound Care and Hyperbaric Medicine, a Novant Health medical group clinic. We have experience with both satellite locations (Novant Health Kernersville Medical Center Wound Care) as well as partnerships with independent wound care contractors. We would commit to providing clinical oversight, operational support and integration of Wilkes Wound Healing center and our Winston-Salem clinical wound services. In addition, we would provide immediate access to our comprehensive limb preservation program and other wound care support services.

3. Describe your commitment to maintain and grow the Hospital's Diagnostic Center.

Novant Health has local, tenured, diagnostic imaging executives who can assist WRMC with pricing strategies, equipment selection, and strategic alliances. Additionally, Novant Health has a number of existing sales and marketing executives and a robust management infrastructure from area managers up to a CSMO. Novant Health can help WRMC develop a carefully planned, formal sales and marketing program in an effort to grow procedure volumes.

4. Describe your commitment to maintain and grow the Hospital's Dialysis Center.

Novant Health recognizes the benefits and importance of providing local dialysis care. We anticipate a close relationship with the nephrologists currently providing care in the local dialysis center. Additionally we have direct experience at Novant Health Forsyth Medical Center of working with both our vascular surgeons and interventional radiologists for dialysis access care and maintenance. We will help to expand these capabilities locally if appropriate.

**E.** Describe how your organization's management team would evaluate and assess the Hospital's operations, and what management-related tools are available to enhance the Hospital's existing management resources?

As part of the relationship, WRMC will have access to the corporate resources and infrastructure of Novant Health. This expanded professional network will allow for enhanced problem solving, strategic collaboration, and ongoing best practice sharing. There is immeasurable value in the sharing of knowledge, insights, best practices, and implementation of strategies to help boost the performance across both of our organizations.

- 1.** Describe your organization's compliance plan and compliance processes, as well as its commitment to the same.

Novant Health is committed to the highest levels of ethics across all segments of its business operations and to an effective compliance program that helps maintain a culture promoting the prevention, detection and resolution of potential violations of law or Novant Health policies. Novant Health's compliance program recognizes that compliance is the responsibility of all employees, governing board members, administrators, physicians, students, volunteers, as well as those with whom we do business.

Novant Health provides varied healthcare services pursuant to applicable federal, state, and local laws. Novant Health expects and demands compliance by all of its employees with the statutes and regulations that govern Novant Health's business. The Corporate Compliance Plan is designed to establish general standards of conduct that promote compliance with applicable law. These standards of conduct are complemented by more detailed policies and procedures that promote conformance with the standards.

However, it is impractical to develop policies and procedures that encompass the full body of applicable law and regulation. All applicable laws and regulations, whether or not covered in organization policies and procedures, must be followed. There is a range of expertise within Novant Health, including legal counsel and numerous other experts who may be consulted for advice. It is anticipated that this plan will be amended from time to time as necessary to articulate standards of conduct that are necessary to promote regulatory compliance.

The Novant Health Corporate Compliance department focuses on matters regarding conditions of payment with CMS. The department monitors compliance with conditions of payment through collaborative meetings with management, the facilitation of compliance committees at the operational entity level, and through auditing activity. Reporting of corporation compliance activity occurs periodically during the year to executive leadership and governance.

- 2.** Describe your organization's Medicare and Joint Commission compliance activities.

Novant Health Accreditation & Clinical Regulatory (A&CR) program supports the efforts of Novant Health to assure adherence to accreditation standards and clinical regulatory requirements, supports the philosophy of continuous readiness by building collaborative relationships within the organization and guides the performance of the organization to deliver safe, high quality health

care by maintaining organizational readiness and identifying vulnerabilities. The A&CR Department carries out its function through oversight–preventing and detecting noncompliance, insight–internal consulting and analysis, foresight–identifying emerging issues, adjudication–resolving conflicts in interpretation and providing expert opinions, and hindsight – look backs and sharing of information – transparency. The program is staffed with a corporate-wide senior director and Life Safety engineer. Facility-based Accreditation & Regulatory Managers that engage at the CMS certified/accredited entity provide the experienced professional that supports multiple licensing, accrediting and certifying agencies.

**F.** Have any of your organization’s hospitals lost its Joint Commission accreditation at any time in the last three (3) years? If so, describe the circumstances, your organization’s remediation efforts, and the results of the same.

No.

### **III. Market Share and Growth**

**A.** Describe your plans to maintain and grow the Hospital’s market share in its service area.

Novant Health will immediately assess the local Wilkes and surrounding service area to identify key strategic options for not only maintaining, but aggressively growing, market share. Novant Health has experience in both larger metropolitan and smaller health care markets deploying a comprehensive strategic process that is leveraged by direct physician leadership involvement (local), administrative partnerships and disease-based service line initiatives. We have learned that the successful partnerships occur when we are able to make the local community services successful.

The base of market share growth and success relies on Novant Health’s ability to provide high touch patient experience, quality and safety as well as a commitment to improving access to care according to the patients’ needs.

Specific initiatives that we have used successfully to increase market share include:

- Identification and building of local services that are best provided in the community for both specialty and primary care. An example would include oncology services for infusion, radiation oncology and disease-based specialty cancer care (breast, lung, etc.)
- Development and growth of a robust primary care network to care for the communities, including rural satellites to outreaching areas
- A growing value-based care model that allows successful entry into risk-bearing relationships with payers, to consolidate broad populations of patients across diverse geographies and provide appropriate narrow networks within the Novant Health integrated system
- Placement of new venues of care including Urgent Care, and our new Express Care model, a retail offering similar to “Minute Clinic”
- Aggressive recruitment of specialty service line physicians including orthopedics, general surgery and spine care

**B.** How does your organization anticipate that the Hospital will compete with other health care providers in its primary and secondary service areas, and enhance its position relative to those providers?

The primary characteristics that have allowed Novant Health to remain competitive and improve market share as well as hold the competitive regional advantage include the provision of high quality, safe and patient centered care. In addition we are committed to always placing the patient first and provide the appropriate care when and where it is most convenient and appropriate for the patient. We would hope to expand the high-level tertiary care offerings available from Novant Health Forsyth Medical Center as appropriate to the Wilkes market. In addition, Novant Health has been able to robustly succeed by maintaining a high level of focus on primary care practice development including patient centered medical homes, extended access hours, and the creation of new access points for patients.

**C.** What are examples of successful growth strategies that your organization has utilized?

Novant Health's growth over the past few years has been fueled by our commitment to keep our patients close to home for care. We do this by placing physicians in areas that need them, by developing medical office plazas with radiology, physician practices and operating rooms (where appropriate) and deploying capital to existing regions for construction of facilities that can provide the majority of patients' needs. Most importantly, we seek to differentiate ourselves from our competitors by offering superior service, quality and safety. Combined, this strategy has allowed Novant Health to successfully capture market share in regions such as the Greater Charlotte Market and the Greater Winston-Salem Market.

**D.** What is your commitment to invest in existing or expanded satellite clinics or other facilities that would be affiliated with the Hospital?

Novant Health currently successfully operates primary care services in the Wilkes market. We would intend to expand this footprint as needed as a general strategy to improve access and primary care. Specific features of our expansion models include expanded hours, "lean" venues of care with smaller low cost satellites operating with advanced practitioners under local physician supervision, options for retail and urgent care outlets with consistent and fixed lower-cost options for appropriate care.

The development of clinically integrated networks is an important strategy to engage primary care and specialty physician practices that do not seek full entry in Novant Health medical group. Through various venues, including our ChoiceHealth platform, we offer the ability to align physicians along quality, operational precision and risk sharing with payers.

The large base of specialty services in the Winston-Salem market affords the options for shared multi-specialty clinic space locally for delivery of care locally. Novant Health Oncology Specialist satellite in Wilkes County serves as an example of a successful satellite model.

**E.** What is your plan to maintain and improve the image of the Hospital in the community that it serves?

Novant Health recognizes the strength and history of local brand awareness, as well as the benefits of leveraging Novant Health's broader brand promise to remain patient-centric with excellent care delivered locally. We commit to obtaining recognition of high quality care and excellent patient experience which drive the local perception of excellence and enhances the image of WRMC.

**F.** What are your plans to improve patient satisfaction?

Given Novant Health's Vision to "deliver the most remarkable patient experience, in every dimension, every time," patient satisfaction is incorporated into everything we do and every decision we make as an

organization. We have developed and implemented various programs, processes, infrastructure, and products to enable us to help to facilitate the Remarkable Patient Experience.

Novant Health has invested heavily in an effort to improve, from the patient's perspective, the entire healthcare process from start to finish. We have worked to increase access and ease of use through the development of a robust primary care and ambulatory footprint (including urgent care sites) and the use of online tools such as MyChart and the dissemination of ER wait times. We have transformed inpatient care models and clinical protocols to allow nurses and other providers to spend more time with patients, thus improving quality of care and enhancing the patient experience. Central to these efforts is our system-wide Epic EHR (Dimensions), which provides for seamless coordination of care throughout all aspects of the Novant Health system, thus improving quality and enhancing ease of access and use for our patients.

Novant Health utilizes various tools and services to track patient satisfaction and receive valuable feedback from our patients. Patients are sent comprehensive questionnaires allowing them to provide qualitative and quantitative feedback on what we did well as well as areas in which we could improve. We are constantly evaluating patient feedback to identify ways we can improve the patient experience. In addition, Novant Health has an Operational Improvement department staffed by 25 full-time professionals devoted to enhancing all aspects of operations and improving the patient experience.

In addition, Novant Health is a pioneer for Press Ganey's Compassionate Connected Care (C3) program, a comprehensive care framework that focuses on reducing avoidable patient suffering and addressing unmet or overlooked patient needs.

#### **IV. Physician Recruitment, Retention, and Satisfaction**

**A.** If your organization includes physicians in its governance, planning, and operations, describe these efforts.

Novant Health believes that a strong physician partnership is key to the overall success of the organization. Physician leadership is deeply embedded in the executive team as well as market leadership structure. Currently, the major market leaders are practicing physician administrators. Additionally, the market disease-based service line structure includes a dyad partnership between physician and non-physician administrative leaders who hold joint accountability and decision making rights for clinical care, financial success, growth, outcomes and clinic operations.

Major strategic, operational and financial decisions are made by physician-administrative leadership teams throughout all levels of the organization, a model that is key to our ongoing success and is replicated in all markets. Additionally, we rely on local Physician Strategy Councils, anchored at each facility, that include both primary, specialty, employed and independent physicians to develop, decide and drive all major initiatives.

**B.** Describe your plan for medical staff development at the Hospital.

**1.** What do you recommend for the recruitment and retention of physicians in the community?

We have experienced the challenges associated with recruiting excellent providers to rural communities. Paramount to success is the identification of a physician partnership within the integrated health system and the robust clinic support that is offered through our operating model. Additionally, we utilize a dedicated recruitment team that includes local recruiters who remain familiar with the opportunities and specific needs and challenges for each community we

are recruiting for. Screening criteria are used along with a prioritization strategy to assure the best match; to assure that recruitment is not only successful, but that retention remains high.

Specific recruitment tools are listed below in sub-question 3.

2. Would you take assignment of existing or pending legally appropriate recruitment agreements?

Yes, and Novant Health would apply our extensive experience in provider needs assessment and appropriate recruitment support for both employed and independent provider practice growth.

3. What financial arrangements (income guarantees, loans, other financial assistance) does your organization contemplate using?

Novant Health utilizes an extensive toolbox of appropriate fair market value recruiting and practice development techniques based on needs assessment in the community. The specific techniques can be tailored based on the individual and practice dynamics and have included forgivable loans, salary guarantees, signing bonuses, moving expenses and various compensation plan models.

4. Would your organization provide funding for additional physician office space in our community, as needed?

Novant Health has an experienced real estate and practice space development department. We would utilize the most appropriate of several techniques to secure office space including primary development, lease arrangements, independent developer construction/lease arrangements. Recently we have deployed and championed innovative lower-cost patient-centered space development models for both facility and practice space.

5. What specialty and sub-specialty placements can your organization offer to this community?

Novant Health is organized into physician/administrator partner-led service lines at a system and market level. This structure affords the opportunity to rapidly and efficiently analyze growth and service offering opportunities that exist in the areas of expertise. A detailed analysis of the current service line offerings would be required to develop specific strategic plans and requirements for recruitment. Several services clearly are critical to maintaining high quality access in the Wilkes community including many listed below. The criteria used are first and foremost aligned with the delivery of care of the highest caliber as determined by outcomes and breadth of services. Financial viability, growth potential, manpower and benefits of market integration with Novant Health are all critical considerations when evaluating each service line.

For sub-questions i-vii: As mentioned above, a detailed analysis of the current offerings would be required to develop specific strategic plans.

6. If your organization operates or participates in medical residency programs, would your organization permit the Hospital to participate in such programs by hosting residents and other related medical educational activities?

Novant Health is committed to developing future practitioners and will be launching our first class of family medicine residents in 2016. We anticipate that the number of spots and locations will expand, which will afford the opportunity for rotations throughout our footprint, however we are unable to commit to specifics at this time.

Currently, we host and partner with multiple academic organizations for the training of their fellows, residents and advanced practitioners. The diverse options for training sites and clinic throughout our geography would include Wilkes.

- C. Does your organization anticipate making changes to the medical staff structure at the Hospital? If so, how?

Novant Health will evaluate the hospital and staffing operations and work to maximize quality of care and efficiency. Our goal will be to minimize as much as possible any unnecessary disruption while focusing on patient outcomes.

- D. Does your organization operate a hospitalist program? If so, describe the program.

Novant Health operates a robust hospitalist program led by a hospitalist physician with over 22 years of experience. Novant Health utilizes an employment model at all but one of our acute care facilities. We currently employ, through Novant Health Medical Group, 130 hospitalist physicians as well as 30 advanced practice clinicians (NP's and PA's).

Our programs are administered at the local level collaboratively by a local medical director, clinical lead physician(s) at larger programs, and an administrative partner (manager and / or office coordinator). The local lead physicians meet monthly with their teams to discuss patient experience, clinical best practice and cost issues, team and team member performance, system and local initiatives, program expense, recruiting and other team issues that need input and decisions. All the local physician leaders meet 6-8 times a year forming a hospitalist council to discuss and collaborate on system and local opportunities such as patient experience, clinical best practice and cost issues, support needed at specific sites, and to collaborate with other service lines. Four of these local leaders are elected to form an executive team that meets with the system lead physician and administrative partner every 2 weeks to provide vision and strategy for the team as a whole.

1. Describe how your hospitalist program might be used to supplement and expand, or supplant and replace, the Hospital's current hospitalist program.

From past transactions, Novant Health has experience in and is comfortable with implementing either an employed or contract model in our acquired or merged facilities. Regardless of the structure pursued, our first priority would be to ensure that patient quality and safety, as well as continuity of care, is maintained throughout the transition and integration. We would commit to maintain or increase the current staffing levels as dictated by patient care needs and inpatient census.

To that end, Novant Health has a recruiting department with a dedicated recruiter for hospitalists. The recruiter works directly with the local physician



and administrative leadership in collaboration with the facility administration to provide candidates, arrange site visits, vet candidates, coordinate employment offers, and support the facility, malpractice and payor credentialing process for new hires. Hiring decisions are made collaboratively at the facility level by the physician and APC team members, local administrative lead and facility administration. The system lead physician receives frequent updates on all recruiting efforts, reviews and approves all offers for employment, and participates in recruiting events as requested or needed.

**2.** Describe your success at operating both pediatric and adult hospitalist programs.

Novant Health's success in our hospitalist programs is due to our continued efforts to fully engage our hospitalist providers in all aspects of clinical and operational decisions affecting patient care. These efforts have given our hospitalists true ownership in the direction of each local program which we believe is a critical aspect of any successful program. Key processes and infrastructure to incorporate physician input include: (i) intentional development of a true physician-administrative partnership, (ii) leadership of local facility committees such as collaborative practice with facility clinical leaders, (iii) team structure and finance (staffing and recruiting), and (iv) development of performance metrics (clinical and financial) with frequent feedback at the team and individual physician level with input from the physicians and APC's as to opportunities and direction for improvement.

Novant Health has a dedicated 24 / 7 pediatric hospitalist program at our Hemby Children's Hospital. The program enjoys support from pediatric intensivists as well as a broad spectrum of pediatric specialists including general, neuro, and orthopedic surgery, neurology, gastroenterology, cardiology, and infectious diseases. Along with our pediatric hematologists / oncologists, we have an affiliation with St Jude's which brings state of the art care for patients with blood diseases or malignancies. The team also has a dedicated pediatric emergency department staffed by board certified pediatric emergency physicians. In true collaboration with our nursing partners, we form a care team to deliver remarkable patient and family experience and support.

Overall, our focus on serving our patients, tangible partnership with administration, and strong teamwork with our nursing and ancillary partners provide a working environment that is attractive to physicians. As a measure of our success, our 5 year turn-over rate for hospitalists is below national averages and many of our physicians have been team members for over 10 years.

**3.** What is your recruitment methodology to obtain and retain the services of quality hospitalists?

Novant Health has been successful at recruiting and retaining quality hospitalists through a combination of dedicated corporate resources and an organizational structure that enables physician input into all aspects of patient care. Novant Health employs a dedicated recruiter for hospitalists and utilizes various resources, such as the Practice Match database, to ensure that staffing needs are met at all our facilities. In collaboration with the recruiting department, meet and greet dinners for local residency programs are held as well as outreach at national meetings. Both recruiters and physician / APC team members

participate in these recruiting efforts. In 2016, Novant Health will have its inaugural class of family medicine residents for whom a hospital medicine track of training will be offered. In addition, Novant Health provides hospitalists with fair and competitive base salaries as well as a clinical incentive program based on metrics that are both identifiable and achievable. The transparency of the incentive program is integral to maintaining both physician satisfaction as well as quality of care.

**E.** What are your plans to improve physician satisfaction?

Novant Health offers numerous programs, seminars and training to assist our physicians in various areas including, but not limited to, stress prevention, leadership development, and professional and technical education. From a general system perspective, our organizational structure promotes physician input and leadership at all levels of the organization. Practicing physicians sit at every leadership level within Novant Health including the Novant Health Executive Team. In addition, each Novant Health market also has its own Physician Strategy Council that consists of 8 to 10 physicians who provide guidance and insight to the market leaders regarding key issues affecting the organization. Our efforts to increase physician engagement and leadership help sustain physician satisfaction by providing physicians meaningful ownership of clinical programs and operations.

**F.** What are your organization's physician satisfaction scores over the last three (3) years?

Novant Health surveyed physicians and advanced practitioners in 2012. Novant Health scored above the NRC (National Research Corporation) Picker average on all dimensions of the survey. Novant Health scored nine percentage points above the NRC Picker average on the survey question: "Would you recommend this organization for the care of your own friends and family."

**1.** How have these scores changed over time?

Novant Health is currently in the process of conducting a system-wide Press Ganey Provider Engagement Survey. The survey includes over 3,000 participants and has both a clinic-based and provider-based component.

**2.** What is your organization doing to improve physician satisfaction scores?

Novant Health provides physician engagement activities that help identify opportunities and encourage physician participation in research and training. We offer and build awareness of stress prevention, empathetic communication, and management technique sessions designed specifically for physicians. Our provider-oriented programs include leadership development programs, wellness/resiliency seminars, lead clinician academy/training as well as one-on-one coaching with physician leadership.

**G.** Does your organization own or operate a physician network? If so, please describe it.

Yes. Novant Health Medical Group (NHMG) is comprised of over 1,300 physicians and over 600 advanced practitioners who provide patient care in over 400 clinic locations throughout North Carolina, South Carolina and Virginia. Our physician group is made up of almost 50% primary care physicians with the remainder in various specialties including cardiology, orthopedic surgery, pulmonology, infectious disease, endocrinology, neurology, neurosurgery, OB/GYN, oncology and pediatric oncology. The physician network serves patients through a wide variety of care delivery sites, including primary care clinics, a staff model medical clinic, occupational medicine facilities, urgent care clinics, hospitalist services and specialty clinics.

**1.** What is the compensation model for your employed physicians?

Novant Health operates several physician compensation models which are tailored to the regional environment, based on the specialty of the provider and the opportunities for growth and practice sustainability. These in general include revenue-expense or wRVU based plans. The Novant Health Medical Group adheres to a consistent set of compensation guiding principles recognizing fairness as well as the multiple facets of a successful medical practice including patient experience, value-based care, quality and non-clinical work. All of our plans incorporate a portion of non-productivity pay at risk for delivering the highest quality of care.

**2.** Does your organization acquire physicians' medical practices? If so, describe which types of practices, and the general nature of the acquisitions.

Novant Health does not legally 'acquire' practices rather we offer integration and employment opportunities that span a full spectrum of options. Integration most commonly includes full employment with asset purchase but can also be tailored as PSAs, co-management, clinical integration, and other common mechanisms.

Novant Health medical group is one of the largest in the country (by clinic site) and has extensive experience integrating almost every medical specialty in a diverse geographic landscape.

**3.** Describe the management model for your physician network.

The general leadership and management structure of Novant Health medical group involves:

- Clinic level manager and lead clinician partnership to oversee day-to-day operations, maintain balanced scorecard responsibility and clinical excellence.
- Regional managers, by disease-based service line, to assist with operations, growth and support of clinic sites.
- Market service line physician/administrator partners are responsible for full spectrum of growth, outcomes, financial vitality, patient experience, quality and safety. The service lines are disease-based, and function across both the acute facilities and clinic sites. These service lines are:
  - Heart and Vascular
  - Musculoskeletal (Ortho)
  - Stroke and Neurosciences
  - Women's Services
  - Behavioral Health
  - Surgery
  - Cancer Care
  - Inpatient medicine
  - Community Medicine/Pediatrics: Note due to size of primary care network, we also have geographic submarket physician

leaders who partner with the acute facility Presidents and jointly oversee the community medicine services for each region.

The medical group hosts a robust clinic support services support team, also led by a physician/administrator partnership that provides complete operational support for all clinics. These services include regulatory compliance, quality and safety initiatives, revenue cycle services, IT, education, training, nursing, implementation and support, and operational precision improvement.

The medical group governance is led by the Novant Health Medical Group (NHMG) Executive Team, which includes NHMG President John Phipps, Novant Health COO Jeff Lindsay and Novant Health CEO Carl Armato. This group is responsible for the activities of clinic services and leads all major initiatives, payer strategy, clinical care, quality and safety, IT implementation etc. Additionally, a Novant Health physician leadership council includes representation of physician service line and sub-market leaders, assuring leadership input and engagement from all areas. Wilkes county activities are currently represented at this level and would continue to represent a distinct submarket within the greater Winston-Salem region.

**i.** What matters are determined by management?

The leadership dyads of physicians and non-physician administrators for service lines jointly work with clinic leadership teams.

**ii.** What matters are determined by the physicians?

The leadership dyads of physicians and non-physician administrators for service lines jointly work with clinic leadership teams.

**iii.** How is recruitment of physicians to the network handled?

Needs are determined at both the regional submarket and clinic levels. Recruitment is centralized (as previously described) to a dedicated team fully resourced to maximize acquisition and retention of providers across the entire footprint of Novant Health.

**iv.** How are recruitment decisions made and funded?

See above. Recruitment support is co-funded by the medical group market administration and the practice. Usually, practices are “protected” for an initial period of 1-2 years for new hires.

**4.** How do your professional liability insurance premiums compare to market rates?

PL premiums are lower than market since we utilize an owned Risk Retention Group (NH RRG) for physician malpractice.

**5.** What are the physician benefits provided by your network?

Physicians are provided the standard aspects of professional benefits including health insurance, disability, life insurance, and access to retirement entities of Novant Health. CME allowance is provided annually, currently \$6000/yr for a full time FTE. Physicians also have access to our unique leader development and

wellness programs that seek to improve the physical and mental wellness of our providers and help to develop leadership within Novant Health.

**V. Clinical Services**

**A.** Will a commitment be made to maintain all clinical services currently available at the Hospital?

We are committed to maintaining all clinical services that can consistently provide high quality, safe and patient-centered care and be sustained under the evolving health care landscape.

**B.** Describe the guidelines that your organization uses to evaluate whether the implementation of new services is necessary or desirable.

Novant Health's guidelines for evaluating service expansion focus on current and anticipated patient need, resource availability and program sustainability.

**C.** What new services would your organization anticipate adding to the complement of existing services offered at the Hospital?

Novant Health would partner with local physicians, the community and Hospital leadership to get a full understanding of the service needs of the local population. New services added to the WRMC complement would be able to leverage the knowledge and experience of existing Novant Health service lines and institutional resources.

**D.** What is your organization's timetable for adding new services?

The timetable for adding new services would be determined by patient need and the input of local physicians and leadership. We would prioritize adding services that are underprovided and would have the biggest impact on reducing outmigration and promoting the health of the local population.

**E.** How would your organization enhance the Hospital's existing clinical cardiology program?

WRMC could leverage the expertise Novant Health has acquired in operating one of the region's leading heart and vascular programs offering the latest diagnostic and surgical procedures as well as prevention, screening and rehabilitation services which help our patients lead longer, healthier lives.

In addition, we have teamed up with the Cleveland Clinic Heart and Vascular Institute for an affiliation with our heart and vascular programs at Forsyth Medical Center and Presbyterian Medical Center. The affiliation provides Novant Health access to the research and expertise of Cleveland Clinic's world renowned program, which has been rated No. 1 in the nation for heart care by US News & World Report for 19 consecutive years.

**F.** How does your organization plan to grow inpatient and outpatient volumes?

Novant Health would seek to grow inpatient and outpatient volumes through expansion of the employed physician network complemented by an ambulatory strategy to include retail/urgent clinics, multispecialty facilities and other outpatient centers, as appropriate. These efforts would increase access points to system and help drive volumes and decrease outmigration. Our process would be to review WRMC's current inventory of practices and locations to determine current needs and level of services required. This analysis would also include a review of current productivity levels to determine practices with excess capacity and create an open access model. Next would be to design and implement a plan to grow the existing practices in the areas of demand, and add new primary care locations. In addition,

Novant Health would seek to augment PCP locations with retail clinics that act as a feeder system into the primary care practices, and develop partnerships with the independent physicians within the market.

**G.** How does your organization plan to reduce current levels of patient out-migration?

In addition to growing the physician network and increasing care access points, Novant Health would seek to reduce outmigration by augmenting existing service lines and adding new service lines as determined by the community need and the operational and financial viability offering the service.

**H.** How will your organization maintain and improve the quality of services at the Hospital?

Novant Health has invested significant time, money and resources in developing employee initiatives, protocols and training programs to promote and sustain a culture of quality and patient safety at every hospital and patient setting across the Novant Health system. We can deploy these resources to maintain and improve the quality of services at the Hospital.

1. What is the typical nurse:patient ratio at the hospitals your organization operates?

1 nurse to 6 patients for adult med/surge

2. Describe how your organization will integrate quality initiatives at the Hospital.

WRMC can take advantage of Novant's substantial investments in quality and safety programs; our nosocomial infection reduction and elimination program provides a framework for enacting best-in-class patient welfare standards; and the data reporting and analytical tools developed throughout the Novant network to enable the rapid and seamless flow of information critical to superior patient care.

Our approach is adaptable, but focuses heavily on precision, physician involvement, and best practices. WRMC will have access to our dedicated internal resources to enhance quality and patient satisfaction through a variety of areas including:

- Clinical Improvement – involving physicians and clinicians in various working models such as joint practice/best practice teams, collaboratives (VHA, 100K Lives, 5 Million Lives, IHI), and internal/external data benchmarking (MEDai)
- Operational Improvement – providing support in diagnosis, planning, execution, and analysis of operational improvement. Skilled in quality/performance improvement tools and methods, the OISE team specializes in topics such as LEAN Six Sigma, process engineering, Statistical Process Control, PDSA, etc
- Regulatory and Accreditation – focused on system-wide continuous readiness for all NH facilities
- Service Excellence – providing support in satisfaction monitoring, goal development, and solution implementation for patient, employee, and medical staff satisfaction

**3.** What quality methodology does your organization use to enhance and improve quality on an on-going basis?

CMS quality indicators are a key focus for Novant Health's management team. The Balanced Scorecard methodology, designed to align with the initiatives of the Centers for Medicare and Medicaid Services and the U.S. Department of Health and Human Services, is used by Novant Health to promote accountability. In addition, Novant Health has developed robust statistical programs and dashboards to track metrics that provide invaluable insight into quality and safety performance across all of our acute care facilities. Some examples include monthly reporting on serious safety events, hospital acquired infections (MRSA, VRE, C. diff and device related healthcare infections) and hospital readmissions.

**I.** What cost-savings initiatives and value-based purchasing options will your organization bring to the Hospital?

By fully leveraging Novant Health's world-class supply chain and strategic sourcing competencies in an integrated way, WRMC can best realize the potential cost savings opportunities. In addition to a reduction in the cost of goods, reductions in operational costs will also be realized through improved efficiencies and economies of scale.

Today, Novant Health's integrated supply chain supports 13 acute care facilities and over 400 ambulatory sites across our four state footprint. These resources support not just every entity within Novant Health but also our affiliated health systems across the footprint. Our focus, dedication, and expertise have resulted in decreased costs and improved efficiencies across our system.

Benefits to Novant Health's integrated supply chain include:

- Single item master for all Novant Health entities
- Single pricing for each product throughout Novant Health
- Standardization of multiple products across Novant Health
- World class online customer ordering system, elimination of all paper
- A centralized distribution center supporting all acute care, ambulatory and physician facilities in our four-state area with Low Unit of Measure (LUM)
- Single strategic sourcing group that negotiates all contracts for Novant Health
- Centralized purchasing group that executes non-catalog purchases for all Novant Health entities.
- Single standardized contract for each large service

This integration of supply chain operations has resulted in a decrease in our supply expense as a percent of net patient revenue from 19.5% in 2007 to 14.8% in 2014. The Hackett Group benchmarked our cost of operations (overhead) as "world class", in the top quartile of all industries and the best of a group of large healthcare integrated delivery networks. All of our capability is "plug and play". As Novant Health continues to grow across a continuum of models, new partnership entities are supported by the infrastructure that has been developed.

We will extend these benefits to WRMC while we partner with your leadership team to identify new industry best opportunities for the future.

In addition, at the center of Novant Health is our culture of quality and safety that permeates all decision-making. Approximately 90 percent of Novant Health's publicly reported CMS quality indicator scores, encompassing all facilities in all markets, equal or surpass the national 90th percentile ranking. In the

most recent Value Based Purchasing simulation, Novant Health facilities made up 6 of the top 10 hospitals in the state of North Carolina.

**J.** Does your organization offer mental health services?

Yes, we provide acute inpatient stabilization for both psychiatric care and detox for substance abuse. Additionally, we provide intensive outpatient and partial hospitalization services for the above populations. Our mental health platform features: a 24/7/365 assessment center for voluntary patients with counselors/nursing; tele-psychiatry; individual counseling; and ambulatory psychiatric evaluation/treatment in multiple locations around the community (adult & adolescent). We have also recently added addiction services.

**1.** How would you address the mental health needs of the community?

We believe the solution to addressing the needs in the community is based on community collaborations with all providers. Our focus is to address timely access to care within the community setting and supporting our primary care and specialists with knowledge & information to initially address care within their setting and to provide access when the urgency of the condition deems a higher level of care.

**2.** What are some of the models for mental health care delivery that your organization has used successfully in other similar markets?

Models that we have successfully used in markets similar to Wilkes County include: tele-assessment followed by access to psychiatry, as needed; 24- hour assessment center level of care; and implementation of treatment matrix with the primary care setting.

**3.** How would you address security on the Hospital's premises and is your organization willing to commit resources that will ensure adequate security is available to assist with mental health patients?

We partner closely with our organization's security staff to assist when needed, including remote video monitoring at our off-site assessment center. The clinical staff, who are all required to be certified in Non-Violent Crisis Interventions (NCI), are the primary providers to assist with caring for this patient population. Additionally, we work very closely with public law enforcement, when necessary, but most of our patients are medically compromised and do not need law enforcement level of intervention.

**VI. General Financial Issues and Information Technology Services**

**A.** Describe how your organization will address the disposition of the Hospital's cash, cash equivalents, receivables, and the assumption of all current liabilities (including, without limitation, liabilities for employee benefits), which is a requirement of this transaction.

We would propose an approach consistent with the organizational structure selected by the parties under which Novant Health would assume all agreed-upon assets and assume, guarantee or defease all agreed-upon liabilities of the Hospital. This would include current assets and liabilities (i.e. working capital) in addition to long-term debt and pension liability.



**B.** Will your organization impose corporate margin requirements on the Hospital?

Novant Health would not impose corporate margin requirements on the Hospital. That being said, as an organization, we use operating margins as one of many metrics to ensure that our facilities are being operated efficiently and that our offerings are providing value and needed services to the communities we serve. Sustained operating viability enables our system to make key investments in technology, equipment and facilities to ensure the long-term provision of quality healthcare services for all our patients.

**C.** What managed care or Medicare supplemental insurance coverages does your organization accept?

See Appendix - Accepted Insurance.

**D.** Describe your organization's overall insurance program, and how the Hospital would benefit from participation in your insurance program.

Due to our long-standing relationships with our commercial carriers, we are able to negotiate significant premium savings and other program cost reductions while enhancing our coverages on an ongoing basis. Our internal claims handling and expertise in medical professional liability is reflected in our self-insurance program cost allocations and rates, which are below our peer organizations and the commercial market.

**1.** Is your organization self-insured? If so, how?

Yes, our medical professional and general liability is self-insured trust through the Novant Health Self-Insured Trust for all acute and ambulatory facilities. The Trust also provides coverage for SIRs for physician professional, D&O/EPL and other commercial coverages. Our workers compensation is self-insured (for the state of North Carolina); certain employee benefits are self-insured as well. The Company is self-insured for certain employee health benefit options, workers' compensation and malpractice.

**2.** What is your organization's self-insured retention?

\$5,000,000 per claim/ \$20,000,000 aggregate

**3.** What reinsurance is available to your organization?

We do not utilize reinsurance on any of our programs.

**4.** Would the Hospital come under your organization's professional liability insurance coverage? If so, describe how this would be accomplished.

WRMC will become part of the Novant Health organization as a not-for-profit, the medical professional and general liability will be "rolled in" to the current Novant Health program after an actuarial and risk assessment is completed to determine appropriate cost structure.

**E.** Describe your organization's information technology services.

Novant Health Information Technology Services (ITS) serves more than 25,000 employees, 13 medical centers, over 400 practice locations, and over 1,300 employed physicians within one of the most progressive and rapidly growing integrated healthcare delivery systems in the United States. ITS is a

corporate department with more than 500 professionals reporting to the Senior Vice President and Chief Information Officer.

Novant Health's Information Management Plan (IMP) is the backbone of ITS operations and development. The primary purpose of the IMP is to provide a framework used to design, measure, assess, and improve the organization's information management function. Information management is the key to success in the delivery of healthcare services as complete, current and accurate information is required for prompt decisions made on a daily basis by our clinical and financial employees.

The Novant Health Information Management Team is responsible for the IMP. The objectives of the IMP include, but are not limited to:

- Ensure the confidentiality, integrity and availability of information
- Ensure the coordination of software and hardware installations across Novant Health
- Redesign information processes to improve efficiency
- Review information for improvement opportunities
- Ensure technologies are appropriate and cost effective
- Ensure that proper confidentiality measures are in place
- Maintain a balance of proper levels of security and ease of access
- Ensure appropriate training
- Ensure timely and accurate information is available to meet management and clinical needs

ITS is comprised of several functional areas all working to carry out Novant Health's Information Management Plan and facilitate the remarkable patient experience. The ITS functional areas are as follows:

- **Information Security Office** – responsible for the development and delivery of a comprehensive information security program for Novant Health.
- **Information Technology Services Continuity Management** – ensures the availability of IT services as outlined by the Health Insurance Portability and Accountability Act (HIPAA), the Joint Commission Continuity of Information Standards, and the Payment Card Industry Data Security Standard (PCI-DSS).
- **Technology Services and User Support** – provides access to technology infrastructure and related support to Novant Health end users.
- **The IT Governance Council** – oversees the management of the IT enabled project portfolio. Objective is to select the most optimal set of products most closely aligned with Novant Health's strategic objectives.
- **ITS Project Management Office** – supports the IT Governance Council by providing input into the portfolio and IT project management.
- **ITS Service Management Office** – supports processes that are used for service, support and delivery including change, incident, configuration, and knowledge management. Facilitates and provides IT orientation and education as well as performance monitoring and internal IT audits.

1. What is your organization's current information technology vendor?

Novant Health's utilizes Epic for its clinical applications platform. Novant Health's version of Epic is called "Dimensions."

2. Describe the information technology features that your organization could offer to the Hospital.

Novant Health offers state-of-the-art information systems that are scalable and consistent across the system. Our clinical applications footprint (Dimensions) spans all clinical and ancillary departments including radiology, cardiology, pharmacy, lab and nursing providing an integrated solution for patient care. By partnering with Novant Health, WRMC will benefit from our significant investments in clinical, physician office and infrastructure technology including:

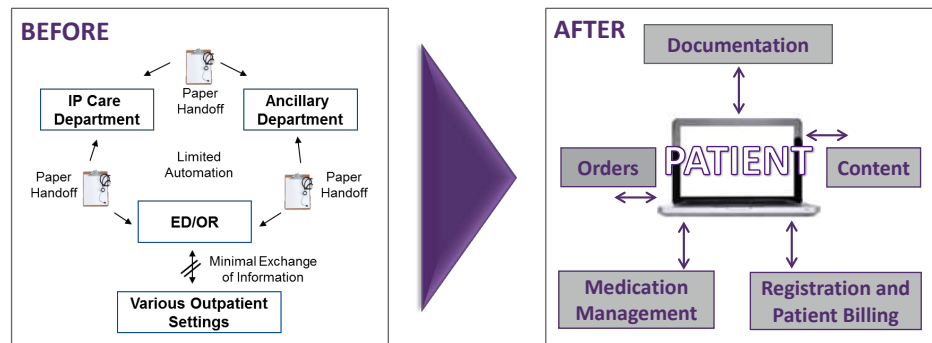
- Secure primary data center with 72,000 square feet on 10 acres, with a secondary center located on a separate campus complete with alternate utility providers and power grids
- Corporate application standards for support systems (Lawson, PeopleSoft)
- State-of-the-art dictation and voice recognition systems to reduce turnaround time and transcription error rates
- Robust security and privacy infrastructure, including organization-wide HIPAA and PCI compliance programs

3. Describe the attributes of your electronic health records system.

Novant Health believes that having state-of-the-art technology systems is critical to delivering the remarkable patient experience in every dimension, every time. Deploying secure, fully integrated, advanced platforms throughout our system ensures quality and safe patient care, provides accessible information that is easy to understand, and promotes affordable care options. Illustrating this commitment is Novant Health's system-wide implementation of the Epic platform for both ambulatory and acute patient access, EHR, billing, and care management.

Novant Health's Epic platform (Dimensions) links the entire system from physician practices to outpatient facilities, to acute care facilities, offering real-time patient information. The Dimensions platform replaces inefficiency and complexity in favor of integration and automated flows of information improving care delivery for patients. The chart below provides an overview of efficiencies gained through Dimensions:

Dimensions Efficiency Gains



The Dimensions implementation began in 2011 with the Novant Health Medical Group and has been rolled out in a measured and systematic way to the acute care facilities and outpatient centers starting with Presbyterian Medical Center (Charlotte) in October of 2013. To-date, we have completed implementation at all of our acute care facilities except those in our Northern Virginia Market which are scheduled for rollout in 2016. The measured implementation has allowed Novant Health to leverage best practices and lessons learned from prior rollouts for continuous improvement. In addition, the Novant Health Community Connect platform enables our system to offer the Epic platform to independent practices and acute care facilities, further expanding our reach and integration of patient data.

Our successful implementation has not gone unnoticed. Novant Health has been honored with multiple awards including:

- Epic's Good Install Award — Awarded to top-performing Epic go-lives
- Professional Billing MVP — One of 19 systems to receive this designation.
- HIMSS Stage 7 — Sixth system in the country to receive this award. Only 1.2% of the more than 19,000 ambulatory clinics in the HIMSS database meet the requirements for Stage 7. Novant Health's greater than 400 physician clinics more than doubled the number of Stage 7 facilities in the country.

One of the most important attributes associated with the Epic implementation has been the introduction of the MyChart patient portal. MyChart is a patient facing technology, providing access to numerous aspects of their current and previous medical history including (i) lab results, (ii) appointment information, (iii) current medication, and (iv) immunization records. By providing patients the ability to schedule and access appointment information, we have moved scheduling from Novant Health time to patient's time, enabling more open access. In addition the portal provides patients with the functionality to:

- Schedule appointment times
- Email or send pictures to their care team directly
- Participate in video visits and e-visits
- Request prescription renewals
- View lab test results
- Receive reminders for important health checkups
- Access a library of personalized medical education

Patient adoption and usage of MyChart has been significant since the rollout, with over 500,000 patients signed up, illustrating the portal's functionality and user friendly interface.

4. Will you permit the Hospital to retain its current information technology platform and services, or will your organization require that the Hospital convert to your information technology vendor (if such is not the same)?

All Novant Health facilities share the same platform and services with the exception of our Northern Virginia market which is scheduled to convert in June 2016. To maintain system integration, we anticipate that WRMC would transition to the Novant Health platform. Any system conversion would be undertaken in a measured way to limit operational risk.

5. Can your organization's system be extended to, or communicate with, the Hospital's information technology system? If so, how? At what cost?

Yes, system connectivity is enabled through:

- **Novant Health Link** - a secure, web-based provider portal that connects non-Novant Health physicians to information stored in our electronic health record system regarding our patients. This free, online tool may be used to view and print a patient's clinical data, receive real-time notifications regarding their care, and communicate directly within Novant Health.
- **Novant Health Community Connect** - Implementation of Epic's comprehensive practice management (PM) and electronic health record (EHR) system to independent clinics integrated with Novant Health system. Extension thru the NHCC subsidized offering is determined by many regulatory guidelines. At this time the subsidized offering has an initial \$2000 per provider implementation fees with ongoing monthly support fees of \$758 per provider. There are other options available at an unsubsidized rate for those that do not meet the subsidized guidelines.

6. What information technology enhancements can your organization offer to the Hospital to maintain and improve its information technology services?

See response to Section IV Question E2

7. Can such improvements include population health management analytics and clinical integration support?

Novant Health's advanced IT platform is the backbone of our population health model. Utilizing Epic we have a broader understanding of our patients' medical history. Applying this broader understanding, Novant Health providers can identify care gaps and anticipate care needs that, if unrecognized, could otherwise lead to more episodic care.

In addition, Epic provides the necessary data to understand not only a single patient, but the subsets of patients upon which a population health model is built. This enables care coordinators to pinpoint where patients may benefit from increased caregiver connectivity and use of acuity appropriate services, thereby enhancing patient access, lowering cost of care, and improving overall wellness. Furthermore, Epic compiles the necessary data for predictive analytics, leading to evidence based medicine, more efficient and effective utilization of resources, and a reduction in the total cost of care.

To maximize the potential benefits of the Epic platform, Novant Health's team participated in Population Health training at Epic. The program highlighted the capabilities of the 2012 and 2014 versions enabling clinical workflow management and more robust care coordination.

8. What is your organization's financial capability or capacity to fund information technology improvements at the Hospital?

Novant Health has an established track record of delivering consistent financial performance through varying market conditions. Over the past five fiscal years (2010 through 2014), Novant Health has averaged operating cash flow and operating income of 11.6% and 3.2%, respectively. These results demonstrate a viable financial and operational position, especially when compared to health systems of similar size and geography. Year-to-date June 30, 2015, Novant Health posted operating revenue of over \$1.9 billion and continued strong operating cash flow of \$232 million.

In addition, Novant Health ended June 2015 with a strong balance sheet position with total assets of \$5.5 billion, total liabilities of \$2.7 billion, total net assets of \$2.8 billion, and cash & investments of \$2.6 billion. Our financial position has enabled us to make key investments in information technology (IT), employees, existing facilities and new construction that will position us to effectively deliver a remarkable patient experience to new and existing patient bases for many years to come. Novant Health's current capital plan calls for \$1.4 billion in capital expenditures over the next five years focused on IT and quality initiatives, improvements to existing facilities, new construction, and other strategic capital.

## **VII. Facilities and Capital Improvements**

A. Describe your organization's process for assessing the feasibility, planning, and for approving the construction of new projects for the Hospital.

At Novant Health, the Construction and Facility Services division handles the construction and renovation projects for the health system, for both on-campus and off-campus projects. This division includes Real Estate Services, Design Services, Construction Services, Plant Engineering Services and Public Safety. Team members from any, or all, of these Novant Health areas are brought together to develop and implement a successful project. And, of course, team members and physician partners from your organization (our Client) would be included in the project design and construction process. Representation from nursing, clinical and support areas will need to be involved.

Once a completed Project Request form is received from the Client, we review the request to determine what expertise will be needed for the project. Additionally we ask:

- Will a Certificate of Need (CON) application be needed for the project? If so, has a CON already been obtained?
- Will a Replacement Equipment Exemption Request (REER) need to be sent to the State?
- Or, is the project exempt from review and all that needs to be submitted to the State is a Letter of No Review (LNR).

Novant Health Corporate Design Services consults with the Novant Health Certificate of Need department to handle whatever documents need to be submitted to the North Carolina Certificate of Need Section.

Design Services, Construction Services and Plant Engineering Services will work together to develop a project timeline, including design, permitting, construction, move-in, project close-out, along with a cash flow for the project. We will develop the design scope for the project and engage an architect, either through a request for proposal (RFP) process or by selection of, and negotiation with, an architectural firm. Novant Health has established lists of pre-qualified architectural, interior design, and construction firms that perform work across the Novant Health footprint. We also maintain a list of preferred engineering firms (MEP, Site/Civil, Structural, etc.). Construction Services will select a general contractor for the project, either through a bid process or by selection of, and negotiation with a pre-qualified general contractor.

During this time, we work closely with our Client to provide you with any needed data for you to prepare a business plan and a return on investment (ROI) presentation to your Hospital leaders. Additionally, we can provide you with any needed data for your presentation of the project to your Hospital Board for review and approval.

In order to improve the delivery timeline of projects from inception to occupancy, Novant Health has developed prototypical models and design guidelines – a “Toolkit”, or kits of parts that we can pull from to assist in the timely design of a project.

The Design Guideline Manual (DGM) outlines design criteria for all Novant Health facilities, including Novant Health medical group facilities, acute care facilities, ambulatory care facilities, imaging facilities and corporate facilities. The DGM supports Novant Health’s transformation to a leaner, patient-focused, caregiver-driven model of care.

The guidelines are applicable to all new development. While it may not always be feasible to apply this information to reconstruction, or upgrading of existing infrastructure due to limitations imposed by existing structures, ownership, and land use, these criteria are applied to the extent allowed.

The DGM serves to inform the architectural consultant of specific needs, functional requirements, and system limitations helpful in satisfying Novant Health’s infrastructure, organization, and mission objectives. Information on our MEP engineering, IT requirements, and low voltage system requirements is outlined. Finish criteria and furniture standards are included, along with the layout of departments and adjacencies.

In addition, in an effort to work toward the mandate of affordability, Novant Health applies lean thinking to facility delivery, including reduction of building size, cost per square foot, and total cost of ownership

- 1.** Who in your organization would be involved in the process?

See response to Section VII Question A.

- 2.** How long would the process take?

Once approval and funding have been received for the project, design takes 3-7 months depending upon the scope/size/complexity of a project. After any needed regulatory reviews and permitting, construction will commence. The construction timeline will be dependent upon the size and scope of the project.

Project meetings are regularly scheduled to discuss issues, update team members and to move the project forward. Usually bi-weekly or monthly meetings occur during design. During construction, bi-weekly Owner-Architect-Contractor (OAC) meetings are held to monitor the construction process, schedule and budget.

**3.** How would you involve the Hospital's local governing board?

We provide a Design Services Project Manager and a Construction Services Project Manager for each project. These Novant Health team members work closely with our Client as well as the architect, engineers and general contractor. Our project services typically include furniture, fixture and equipment (FF&E) specification and selections inclusive of medical, IT, infrastructure, low voltage systems, security, etc.

**B.** What level of investment is your organization willing to make in the Hospital's existing buildings and services over the next five (5) years?

Per the proposal, Novant Health commits to provide a total of \$75,000,000 to cover both replacement and strategic growth capital. These funds can be used for facility improvement and/or service line development. We will work with the board regarding the timing and use of the capital dollars and expect capital deployment to be based on the timing of large initiatives.

**C.** Describe your organization's specific commitment to the following projects identified as needed by the Hospital over the next five (5) years.

**1.** Update and remodel patient rooms and refurbish other Hospital facilities as identified by the Hospital.

Novant Health would commit to remodel and refurbish patient rooms and other Hospital facilities to keep the facilities up-to-date and help maintain patient and employee satisfaction. Novant Health has an experienced design and construction department that can manage the project.

**2.** Finance and build a suitable medical office building to appropriately accommodate new and existing physicians and practices in the community.

Novant Health commits to finance and build a suitable medical office building to accommodate new and existing physicians and practices in the community. As mentioned previously, Novant Health has an experienced real estate development department which will be able to assist in the project management and construction of the medical office building.

**3.** An up-to-date and uniform electronic health records system.

As a system, Novant Health is committed to maintaining an integrated and uniform electronic health records system throughout the entire organization. As such, Novant Health will commit to fund the implementation of Dimensions (Novant Health version of Epic) for WRMC and its physician network and ancillary facilities.

**D.** What is your organization's commitment to keep the Hospital's services current by providing the Hospital with up-to-date equipment, as needed?

Our proposal includes a total capital commitment of \$75,000,000. These funds would be available to replace aging equipment and to acquire new equipment allowing for expansion into previously unoffered service lines.



**E.** What is your organization's financial capability or capacity to fund capital improvements at the Hospital?

Novant Health has an established track record of delivering consistent financial performance through varying market conditions. Over the past five fiscal years (2010 through 2014), Novant Health has averaged operating cash flow and operating income of 11.6% and 3.2%, respectively. These results demonstrate a viable financial and operational position, especially when compared to health systems of similar size and geography. Year-to-date June 30, 2015, Novant Health posted operating revenue of over \$1.9 billion and continued strong operating cash flow of \$232 million.

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- 1.** Provide a Dun & Bradstreet Business Information Report regarding your organization, if applicable.

No timely report available.

- 2.** Provide your organization's Forms 1120 or 990 and 990-T for the last three (3) years, as applicable, or any other income tax returns filed during that period.

See attached 2010 – 2013 990 and 990-T reports for Novant Health, Inc.

- 3.** What is your organization's bond rating, if applicable?

Fitch: AA- (effective 03/24/15); Moody's: A1 (effective 07/14/15); S&P: A+ (effective 8/27/15)

## **VIII. Retention of Employees**

**A.** What is your organization's plan to retain the Hospital's valued employees?

Novant Health has focused intently on retaining a high-quality employee base and would undoubtedly extend that focus to WRMC. We feel it is imperative to maintain the continuity and confidence of WRMC's employee base to facilitate an efficient integration and provide a strong platform for system growth. As plans for additional growth are implemented, the need for incremental high-quality staff will grow alongside, thus expanding, not contracting, the regional workforce. Given the increased size and scope of the organization, enhanced opportunity for lateral and upward mobility will be present.

**B.** Does your organization anticipate employee reductions of any type?

As part of the transaction, we would analyze back office systems to determine any redundancies and ensure that the combined systems are operating in the most efficient and cost-effective manner. However, we envision such an evaluation occurring over an extended period of time.

**C.** What is your organization's plan to recruit qualified employees as needs arise?

Novant Health would look to recruit qualified employees as dictated by patient and administrative need as well as growth in the market. Novant Health's Human Resources Corporate Center leverages several

innovative technologies and strategies to fulfill our goal of attracting, engaging, developing and retaining the best employees so that we, along with our physician partners, can deliver the most remarkable patient experience in every dimension, every time. In doing so, Novant Health strives to have an ever-evolving local and national employment presence by means of Internet-based recruitment, as well as on-site recruitment presence at all major national conferences.

**D.** What are your plans to improve employee satisfaction?

Novant Health believes in maintaining and, where possible, raising the level of employee satisfaction. In prior transactions we have chosen to carefully assess compensation levels over an extended period. This offers the time needed to carefully evaluate and understand current compensation philosophies. These philosophies may include approaches to salary increases, incentives, shift differentials, bonus structures and performance reviews. In addition, a thorough evaluation allows Novant Health to pinpoint areas where compensation levels, and overall employment packages, may need to be brought up to Novant Health standards.

**E.** Provide the employee satisfaction scores from your organization over the last three (3) years.

In February of 2015, Novant Health, in partnership with Press Ganey, conducted a full census team member engagement survey called Let's Hear Your Voice. Prior to this year, the last time we conducted a full employee satisfaction survey was in 2012, with a different vendor. Novant Health's employee engagement score was 4.10 out of 5.0. We were ranked at the 41st percentile.

**F.** Competitive benefits and retirement programs for the Hospital's valued employees are of significant importance to the Hospital and the Town. Describe your current benefits and retirement programs and how they compare to others provided by hospitals in the Hospital's geographic area.

Novant Health offers team members a broad and comprehensive benefits package synonymous with a large health care system, so it includes health insurance and retirement benefits. However, Novant Health feels that its benefits package should reflect who we are, which is a health care organization committed to improving the health of the communities we serve, therefore, we have designed our benefits program to provide team members with the tools and support they need to improve their own health – whether that be physical, emotional or financial. Our benefit program offers comprehensive medical, dental and vision plans to help team members manage their health, and disability and life insurance to help team members protect themselves from financial loss that results from illness and accidents, and finally we have a retirement plan that includes a generous employer matching contribution, to help team members reach their financial goals. We also feel it is important to support team members with convenient access to high quality and affordable care, so we have a team member care line which is 24/7 and exclusively for team members. The team member care line allows team members to speak with a registered nurse any time of the day or night about theirs or their family members care needs. Novant Health participates in a roundtable of large North Carolina health care systems that includes an annual benefits comparison coordinated by AonHewitt. The survey results are used by Novant Health to ensure that our benefits programs as well as the premiums team members pay for benefits remains competitive with the other NC based hospital systems.

**1.** Will Hospital employees be able to waive eligibility and vesting requirements in your plans in order to participate?

Novant Health will be able to waive its new hire benefits waiting period for health & welfare benefits. This would result in WRMC employee benefits being effective on the effective date of employees' transition to Novant Health payroll and benefits. This includes granting credit for the months WRMC team members

were enrolled in group short and/or long-term disability for the purpose of eliminating the pre-existing condition limitation of Novant Health's short and long-term disability plans which otherwise would apply. However, the granting of credit for the months WRMC team members were enrolled in group short and/or long-term disability coverage would be contingent on WRMC providing enrollment records acceptable to Novant Health's life and disability carrier. Additionally, Novant Health would recognize the most recent hire date of WRMC employees towards eligibility for Novant Health's retirement plan matching contribution and also vesting for the employer matching contribution. This also would be contingent on WRMC providing employee census records.

**2.** How will your organization address tenure for the Hospital's employees?

In each of our recent transactions, including Prince William Health System, Rowan Regional Medical Center, and Brunswick Medical Center, all employees joining the Novant Health team were given credit for length of service as part of a very comprehensive employment package. Given our focus on retaining WRMC employees and ensuring employee satisfaction, Novant Health commits to deploying a similar approach in transitioning current WRMC employees, including providing credit for length of service.

**3.** Does your organization provide educational opportunities and professional development for its employees? If so, please describe them.

Novant Health is committed to developing the talent of its people. Starting with the orientation and onboarding process, all new hires experience an interactive, two-day orientation to the organization and its culture. The onboarding process continues with interdisciplinary orientation, general nursing orientation, department and facility orientation, and role-based orientation using orientation pathways and preceptors. Just-in-time and continuing education are supported by department specific training, a corporate education curriculum that is blended (using both instructor-led and computer based training), resources to participate in outside workshops and seminars, and tuition reimbursement to obtain baccalaureate and higher degrees.

We value the importance of ongoing feedback for development, and have processes in place to guide employees in providing feedback to each other to enhance their job performance, coming from a place of care and concern. Biennially, employees go through a formal process of soliciting 360 degree feedback which culminates with a performance feedback discussion with the manager, led by the employee. Annual check-ins are conducted to validate annual requirements and progress towards performance and career goals.

Novant Health also offers extensive development programs for those individuals who attain a leadership position (manager or higher) within Novant Health. Leadership development begins with the leader on-boarding process which includes a webinar-based session during the week of new hire orientation and a New Leader Immersion retreat during their first month in the role. Through these programs, new leaders are prepared to begin their leadership journey in our organization and to lead themselves, their departments, and the organization.

**4.** Describe your employee assistance, counseling, and grievance processes.

The Novant Health Team Member Assistance Program (EAP) exists to provide employees, their immediate household members and Novant Health leadership with assistance in coping with personal or family issues as well as work performance problems. Assistance for employees is delivered through counseling, information and referral and work-life consultative services offered in various modalities including individual and family counseling, web resources and phone counseling. Leaders are assisted with both individual and departmental performance and organizational culture issues through critical incident stress debriefings, formal supervisory referral services, management consultation and departmental interventions to support business unit goals. The Team Member Assistance Program goals are developed in the first quarter of each year and measured quarterly in conjunction with Novant Health strategic initiatives that support the achievement of organizational mission, vision, and values.

**G.** How will your organization treat the Hospital's employees regarding pay scales, opportunities for advancement within the Hospital, and opportunities for advancement within your organization?

Novant Health strives to promote internally and to create an environment that facilitates upward mobility by promoting learning and development and personal accountability. Opportunities for development and promotion across Novant Health's enterprise and geographies would be made available to all WRMC employees. The opportunity to progress internally would be commensurate with skills, abilities and interests as vacancies and new positions arise.

**H.** How will clinical and non-clinical staffing levels be determined?

Novant Health staffing levels are designed to deliver robust quality of care in an efficient and personal manner. We have invested considerable time, money and resources in evaluating and redesigning our staffing processes to improve quality and safety of care to facilitate the remarkable patient experience. Through our Transforming Care at the Bedside initiative, Novant Health facilities have implemented key process and design changes to significantly increase the time nurses spend at the bedside allowing them to focus more effort on activities directly affecting patient care. Changes in processes, such as storing supplies in the patient room, charting at the bedside, or having pharmacists deliver medications directly to the patient floor, have reduced inefficiencies and allowed nurses more time in direct patient care. Novant Health has also shifted the responsibility of many routine tasks to staffers (such as LPNs or CNAs) enabling more meaningful interaction between nurses and patients. Our various efforts at transforming patient care have significantly increased the amount of time Novant Health nurses spend at the bedside.

**I.** Will any functions currently provided by Hospital employees be removed to the "home office" or a corporate office? If so, please describe how your organization would address the needs of the affected employees; e.g., offers of comparable jobs at the Hospital, if any; transfers; outplacement services; and the like.

As part of the transaction, we would analyze back office systems to determine any redundancies and ensure that the combined systems are operating in the most efficient and cost-effective manner. However, we envision such an evaluation occurring over an extended period of time. If any positions were to be eliminated or consolidated, Novant Health Human Resources will work with the affected individuals to assist in finding placement in other open or available positions at the Hospital or at other Novant Health facilities.

## **IX. Your Organization**

**A.** In addition to the information requested at the beginning of this Request for Proposal, please describe why a long-term lease of the Hospital is important to your organization.

Per our mission statement, “Novant Health exists to improve the health of our communities, one person at a time.” As such, a long-term lease commitment is important to us because it allows us to make key investments in physician network development, facilities, technology and new service lines that, in the long-run, improve local access to quality healthcare and support the continued operational viability of the Hospital. We feel that the investments needed to sustain and grow quality healthcare services will need to be made in a measured and strategic way over an extended period of time. Such investments and commitments will be enabled through a long-term lease structure as proposed.

**B.** What are your organization’s strategic goals in a transaction with the Town and the Hospital?

Our goal is to maintain a collaborative and impactful relationship with the Town that will allow us to operate a high-quality and financially sound local system that increases access to care through a robust physician network and ambulatory facilities. We strongly believe that hospitals are more successful when governance is extended to local boards and trustees. As such, our proposed governance structure would maintain a local board that would have insight and input into decisions affecting the strategic and clinical direction of the Hospital.

**C.** What is your organization’s overall strategic and tactical plan to provide hospital and health care services in our region of North Carolina?

Novant Health already has a significant presence in WRMC’s extended region through our facilities and employed physician network in Forsyth County and surrounding areas as well as our management relationship with Ashe Memorial Hospital. We also operate a primary care and an oncology practice in North Wilkesboro. Our strategy is to increase our presence in the region by bringing care closer to outlying communities through growth in our employed physician network and development of community hospitals and outpatient centers providing a comprehensive range of services designed to keep the provision of care close to home. Although we see this growth anchored by Forsyth Medical Center, our tertiary flagship facility in the region, we have demonstrated a continued commitment to bring care closer to our patient populations through development and construction of community hospitals such as Clemmons Medical Center and Kernersville Medical Center (both in Forsyth County) that provide access to key medical services in a convenient setting.

Beyond the region, Novant Health’s vision for strategic growth and partnerships is to become pervasive in communities across a multi-state region enabling distributed, multiple points of care delivery. Since our original merger in 1997, Novant Health has utilized a strong history of partnerships, combined with organic growth and capital investment to expand to almost \$4.0 billion in revenue.

Our goal is to continue to expand our current system, both financially and geographically within the Southeast, creating a super-regional system that can serve the population health needs over a large geographic area. Achieving this growth will enable Novant Health to remain at the forefront of the continued paradigm shift in healthcare. We see accomplishing this goal through a sustained focus on identifying and executing on both shared services and merger partnerships with independent systems in our existing footprint and those in contiguous geographies.

In addition, Novant Health has augmented our growth through partnerships with strong organic growth in existing and new markets. To further penetrate these markets and bring care closer to the patient, we have deployed capital to construct new, greenfield community hospitals in Kernersville and Clemmons,

North Carolina as well as Haymarket, Virginia. Furthermore, Novant Health is currently in the late planning stages of constructing a new orthopedic-focused hospital on our NHPMC campus along with a new community hospital to support the rapidly growing Mint Hill, North Carolina community

Beyond scale, Novant Health seeks to become a nationally recognized leader in patient safety, quality and outcomes while concurrently being physician-partnered and physician-aligned. As we expand and evolve, our focus will remain not just on growth, but on system-wide operational excellence. Most importantly, we will continue our drive in delivering a remarkable patient experience across a new healthcare model and throughout a fully integrated healthcare system.

WRMC fits well into our strategic vision to become a recognized leader across multiple facets of healthcare delivery through its demonstrated commitment to patient satisfaction and safety. We desire to partner with organizations that share our values and our commitment to provide the remarkable patient experience, and we feel that WRMC does just that.