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Robert L. Wilson Jr.  
Smith Moore Leatherwood LLP  
434 Fayetteville Street, Suite 2800  
Raleigh, NC 27601

October 15, 2015

**Re: Proposal – Wilkes Regional Medical Center (“WRMC”)**

Dear Mr. Wilson:

Thank you for presenting Capella Healthcare with this opportunity to provide a response to the RFP for **Wilkes Regional Medical Center**. We believe that Capella offers a strong affiliation option for WRMC and we meet the desired partnership characteristics very well.

A key component of our proposal is to immediately open discussions with a local tertiary/quaternary system about a clinical integration program as we have done with **UW Medicine** in WA and **Medical University of South Carolina** in SC. Capella will seek advice and direction from the existing WRMC Board and medical staff as to the preferred tertiary partner.

Our company is composed of experienced hospital operators with a proven track record of operating highly successful hospitals of all size and market types - from large tertiary teaching hospitals in metropolitan markets to small community hospitals in rural markets. And with the recent announcement of our new capital and operating structure, our partner hospitals know that Capella – and our management team – will be with them for the long-term with controlling rights of the operating company.

In addition, as a privately held company, **we re-invest 100% of free cash flow back into our hospitals** and thus will ensure that WRMC is well capitalized in the future. We are uniquely qualified and have the experience to not only bring very significant capital resources, but also systems, tools, clinical partnerships, efficiencies and a decentralized management structure.

Best regards,

Andy Slusser,  
EVP Business Development

C: Rick Charbonneau, SVP, Development

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**REQUEST FOR PROPOSAL**  
**FOR**  
**TOWN OF NORTH WILKESBORO**  
**AND**  
**WRMC HOSPITAL OPERATING CORPORATION**

**The Town and the Hospital request that your organization provide the following information about your organization:**

- **A statement of qualifications to operate the Hospital, including descriptions of other facilities operated by your organization;**

Since our founding in 2005, Capella Healthcare has emerged as a national leader in the development and operation of healthcare facilities. The Company was founded by seasoned healthcare professionals with a vision to provide clinical, operational and financial expertise to community hospitals in order to make a positive difference in the local healthcare environment. With the philosophy that all healthcare is local, Capella collaborates with each hospital's medical staff, board and community leadership to take care to the next level.

Capella is dedicated to helping hospitals deliver a new level of healthcare for their communities through innovative market strategies, experienced leadership, and capital investment to grow services and expand the regional influence of each hospital. As a privately-held company with significant resources, Capella has access to vital leadership and financial capital, investing in its family of hospitals to strengthen and expand services and facilities.

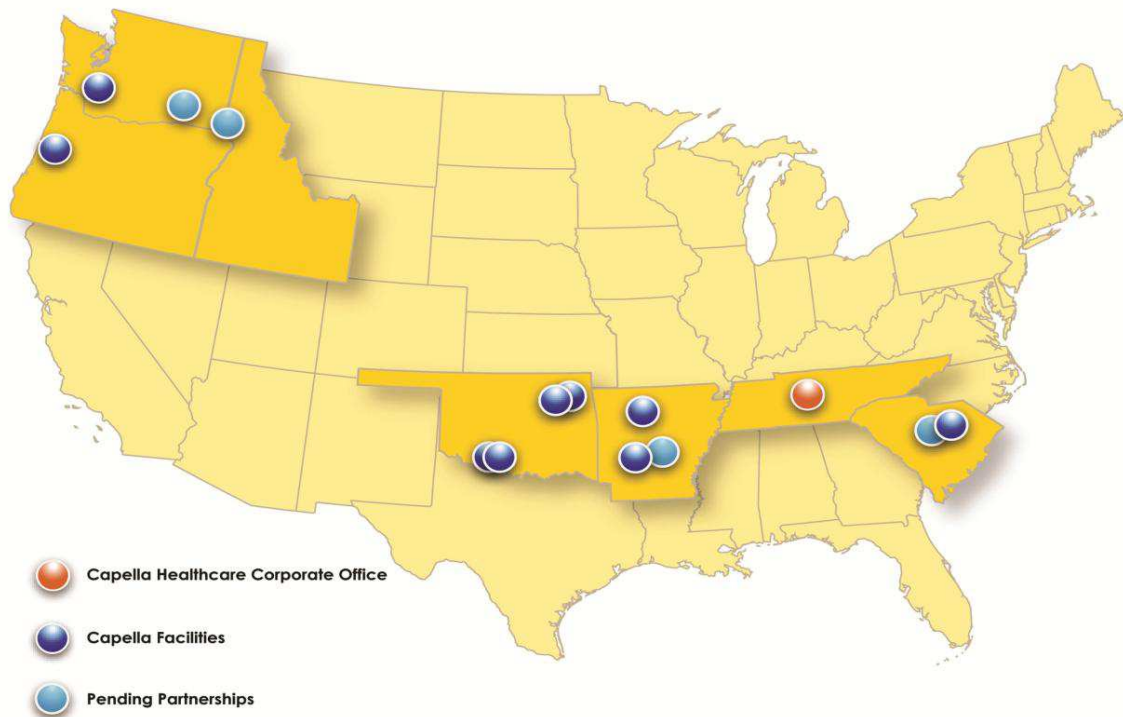
Capella has earned a national reputation for identifying creative partnerships tailored to specific communities. Effective April 1 2014, Capella and UW Medicine, Seattle, WA formed a collaboration agreement to support complex tertiary and quaternary care services for patients of our Capital Medical Center located in Olympia, WA. In 2015, we added a partnership with Medical University of South Carolina ("MUSC") and our two hospitals in South Carolina.

In recognition of its impressive growth, Capella Healthcare was recognized by *Modern Healthcare* in 2012 and 2013 as one of the nation's fastest growing health care companies. Capella was the highest ranked acute-care hospital company on the prestigious "Healthcare's Hottest" listing of 40 in 2013 and one of only 13 organizations to make the list both years.

Leaders have described Capella's business strategy as solid, not just in the words used to describe it, but in how we successfully execute it. And, now more than ever, hospitals' business strategies must include strong partnerships in order for them to thrive and continue improving care in the era of healthcare reform.

Capella's leadership understands the complex dynamics of the delivery of healthcare, hospital growth and expansion of services. It is our depth of hospital experience that gives us the ability to see new opportunities and build long-lasting relationships with hospitals and communities so that – working together – we can look to the future with confidence.

Where are we:



Please view our website to view each of Capella's hospitals services offered:  
<http://www.capellahealth.com/our-communities/>

As a privately-held company with significant financial resources and capitalization, **Capella re-invests 100% of net cash flow back into our affiliated hospitals.** It is also vital to know that while other organizations verbalize what we all know to be true – that healthcare is local – we believe that Capella's strategy and decentralized operations philosophy recognizes and enables this concept more effectively than our peers. While initially it may seem more efficient, we believe that a top-down, centralized approach is not the most effective way to manage healthcare services. Local "ownership" and accountability – achieving true engagement from employees, physicians and Board leadership – is what has allowed Capella's hospitals to improve further and faster than our peer companies in many cases. (See Tab 2 – "Capella Value Proposition").

To illustrate, listen to the CEO and a key physician leader at one of our highest performing hospitals as they discuss accountability. Here's the link – <https://www.youtube.com/watch?v=uViB8NIvRX4> – and here's the quick overview: "Healthcare is very local. Not all hospitals, systems and companies view local decision-making as the best thing to do for the hospital. That is certainly not true of Capella," says Rosemari Davis, former CEO of Willamette Valley Medical Center in McMinnville, OR, which has been part of the Capella family since 2008. "I don't think I'd use the word 'empowerment' more than I'd use 'expectation.' ...It's OUR hospital. Capella expects us to run it, to take care of those friends and neighbors, to be involved in the community... and that's how we like it. Capella may own the bricks and mortar, but it's our hospital. ...Decentralization and local decision-making by physicians and administrators is absolutely pivotal to our success."

Family Practitioner Matthew Bliven, MD, currently serving as Chair of Capella's National Physician Leadership Group, says: "It is our responsibility to run the hospital but we have their (Capella's) ultimate support and all the resources we need to deliver the best care."

The resources and support provided through Capella assist our hospitals in achieving the following:

- Unwavering commitment to the development and delivery of the highest quality healthcare
- Focus on growing services and expanding market share
- Finding and keeping a strong and accountable management team
- Accessing and investing capital dollars strategically
- Recruiting and retaining high quality physicians
- Partnering from a position of strength with other regional providers and physicians in the service area
- Empowering and educating a local Board of Trustees
- Establishing sound fiscal policies
- Effectively communicating with employees, medical staff and community.

Based on the healthcare needs of each community, our hospitals are honored to provide an array of healthcare services as well as to play a key role in the overall economic vitality of the community and the region. Our hospitals care for all patients regardless of economic ability or health status. We consider this priority a moral and ethical commitment as we honor the dignity of each individual.

We believe the future of health care is about creative, collaborative partnerships. That includes working closely with internal stakeholders, communities, payors and other health care providers. In order to thrive in the new era, we have to work together in ways we've never done before. We know from our significant work with our joint venture partner in Tennessee – Saint Thomas Health, that our values, mission, policies, procedures and operational philosophies are very similar. For example, we have been able to objectively demonstrate that the percentage of hospital revenue dedicated to charity care was virtually the same between our facilities and the non-profit and/or faith-based providers with whom we serve our communities.

- **Information on charges, services, and indigent or charity care at similar facilities owned or operated by your organization, to the extent legally appropriate;**

Capella recognizes that each community hospital has a responsibility to care for the medically indigent within its service area. The amount of charity care provided is dictated by the needs of the community and not fixed or limited by Capella. We will commit to a charity care program consistent with the historical charity care practices of WRMC.

As described in the RFP response below more thoroughly, Capella supports the strategic planning process for the hospitals, but ultimately each hospital makes the decision on what services they should provide that can be supported by the community and medical staff.

Please also note, Capella is a for-profit corporation and thus would be a tax paying entity to the benefit of the city, county, and state.

- **Biographical information describing the senior officers of your organization;**

Please refer to Exhibit G of our Value Proposition in Tab 2.

- **Copies of audited financial statements for your organization for the last three (3) years; and**

Up and until August 31, 2015, Capella Healthcare made all financial filings with and required by the SEC. Post September 1, 2015 Capella will no longer be required to be a public filer. Please visit the website below for our 10-k and all other related financial information.

<http://www.sec.gov/cgi-bin/browse-edgar?company=Capella+Healthcare&owner=exclude&action=getcompany>

- **Any other information that you believe will be helpful to the Town and the Hospital to assess your organization’s capabilities and experience with hospital operations, including references.**

**How is Capella Healthcare different?** Capella Healthcare partners with communities, empowering the people who care most about its hospital. From our Physician Leadership Groups to our strong local Boards of Trustees to our focus on fully engaged employees, we aggressively seek ideas, initiative and involvement from patients, providers and our publics.

Our decentralized management approach recognizes that all healthcare is local and that we must have strong local leaders who prioritize constituency satisfaction. In this challenging environment, our leaders must be proactive, compassionate and creative while consistently making tough, yet balanced decisions in the best interest of their hospital and all of their stakeholders. They must know how to deliver outstanding quality care and excellent patient service with a superior focus on engaging their physicians and employees. These are the things that will create a successful thriving community hospital.

We commit to keeping our focus on empowering our leaders, partnering with our caregivers and communities, and providing resources that will help them succeed. However, instead of us telling you who we are and what we do, hear and see for yourself what physicians, community leaders, Board members, patients and employees are saying about us. You’ll find video interviews and personal testimonials shared throughout our website, in addition to those below.

**Saint Mary’s Regional Medical Center (Russellville, AR)**



**Capella Invests in People**

As former Chairman of the Board of Trustees for Saint Mary’s Regional Medical Center, Sharon Trusty-Kronberger saw her role as representing the hospital to the community and community to the hospital. Following her participation in one of Capella Healthcare’s National Physician Leadership Conferences along with other Board and physician leaders from Capella’s family of hospitals throughout the country, she said:

“I appreciate Capella understanding this collaboration between the Board and Administration and physician groups, and I think that’s going to be key to the future in the way that we deliver health care. ...With the changes happening in health care now, we’re very fortunate to be a part of the Capella group. ... I appreciate the training they provide... I’m going to benefit, the hospital will benefit and the community will benefit...”

(or <http://youtu.be/Ut-5003vYMo?list=UUSv-mAhhWu-ViXqBjALIVBQ>)

### Southwestern Medical Center (Lawton, OK)



#### **Mission, Vision and Values Drive Hospital's High Standards**

Steve Hyde is leading the staff to new heights as CEO of Southwestern Medical Center. And, since he got his start in healthcare as a Physical Therapist, there's no doubt he understands what it's like to be a caregiver. "There's an old Chinese proverb that says 'the main thing is to keep the main thing the main thing.' Our main thing at Southwestern Medical Center is our mission statement – It says we want to give to you and your family exceptional service and quality care at all times. ... Where we want to go is our vision statement. We want to be a place where patients want to come, physicians want to practice, and team members want to work. ...(And) we talk about five indicators for success (our values): Quality – service – people – growth – finance. All five are critical to the success of our hospital so those are things we openly share and talk about in our organization. It's important we're aligned as an organization. Everyone needs to understand what our goals are and how we're moving forward."

(or [http://youtu.be/J\\_F4q7nSOjI?list=UUSv-mAhhWu-ViXqBjALIVBQ](http://youtu.be/J_F4q7nSOjI?list=UUSv-mAhhWu-ViXqBjALIVBQ))

### Willamette Valley Medical Center (McMinnville, OR)



#### **Capella Understands that Health Care is Local; Provides Resources that Enable Success**

Rosemari Davis, long-time CEO for Willamette Valley Medical Center (McMinnville, OR), has worked for a number of different hospital management companies during her career. So she's in a good position to know what makes Capella Healthcare different. "Healthcare is very local. (However), not all hospitals, not all systems and certainly not all companies view local decision-making as the best thing to do for the hospital. That is certainly not true of Capella... I don't think I'd use the word "empowerment" in terms of Capella's expectation of its CEO and med staff. It's not so much empowerment as it is more of an expectation. It's OUR hospital. Capella expects us to run it, to take care of those friends and neighbors, to be involved in the community. And that's how we like it. It is our hospital; Capella may own the bricks and mortar, but it's our hospital. Decentralization and local decision-making by physicians and administration is absolutely pivotal to our success."

Matthew Bliven, MD, a family practitioner who represents WVMC on Capella's National Physician Leadership Group agrees with Rosemari's perception. "It is our responsibility to run the hospital, but we have their (Capella's) ultimate support and all the resources needed to do it the best we can."

Dr. Bliven has practiced medicine in the community for a number of years and speaks to Capella's collaborative style. "I have been involved with the hospital through several ownership changes, and my perspective of the Capella ownership has been really positive. Their perspective on physician involvement in terms of leadership, decision-making and transparency, I think, that's crucial... Anyone considering becoming a physician in the Capella organization should feel confident that they are supported and not just a commodity." (or <http://youtu.be/uViB8NivRX4>)



## **REFP RESPONSE FOR WILKES REGIONAL MEDICAL CENTER**

### **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.**

The term of the proposed lease is 40-years. In that the lease is fully prepaid at the inception of the lease, termination rights and provisions would be very limited. In the case of any default by lessee under the lease, default provisions would be detailed for both parties with appropriate cure provisions.

**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.**

We have proposed 100% up-front lease payment. Please refer to Tab 3 – WRMC Long-Term Lease Structure.

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

We have proposed 100% up-front lease payment. Please refer to Tab 3 – WRMC Long-Term Lease Structure.

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

Please refer to Tab 3 – WRMC Long-Term Lease Structure.

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

### **Board Composition & Terms**

The Board of Trustee structure encourages regional representation and will only be comprised of those who reside in the hospital's service area. Voting membership typically consists of seven to nine members, including two to four physicians and the hospital CEO. No Capella officers will be members of the board, further recognizing the importance of local governance.

Board terms with Capella hospitals are usually three years, with the ability to serve two consecutive terms. New members are nominated by the existing board, and as the hospital service area grows regionally, it will be important to also widen the representation of trustees accordingly.

### **Board Responsibilities**

All trustee activities are guided by the governance protocols as set forth by The Joint Commission. These guidelines emphasize that hospital boards are in charge of all aspects for setting and monitoring the strategic direction of the hospital.

The hospital's Board of Trustees would be empowered to:

- Continue to be a fully functioning board
- Delineate and monitor the Mission, Vision and Values for each hospital.

- Oversee the strategic planning
- Review operations and capital budgets
- Approve hiring of the permanent CEO if that position changes
- Approve the addition of or any substantial changes of medical services
- Monitor Joint Commission accreditation, quality and performance improvement activities
- Grant medical staff privileges
- Execute physician disciplinary actions consistent with Medical Staff Bylaws
- Identify service, education and outreach opportunities for the hospital and
- Perform other duties and responsibilities as prescribed by The Joint Commission governing board guidelines.

If you would like to speak directly to a current Board member of a Capella-affiliated hospital for a firsthand account of how we work together, please let us know

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

These decisions are driven locally by the management team as each hospital is an independent LLC. Please see the link below to view each hospital Community Benefit Report.

<http://www.capellahealth.com/for-patients-public/community-benefit-reports/>

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

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

The Foundation is an excluded entity under our proposal and we believe, many if not all of the net proceeds would we contributed to the Foundation. On April 1, 2007, Capella entered into a 40-year long-term, pre-paid lease of Muskogee Regional Medical Center in Muskogee, OK with the Hospital Authority. The pre-paid lease payment of \$120 million was used to create a Community Foundation that today funds important programs related to healthcare and other community needs on an ongoing basis. With a mission to make a real difference, the City of Muskogee Foundation was established to develop, support, promote, and improve programs and facilities relating to education, arts, culture, community revitalization and beautification, social services, health care, economic development, infrastructure, housing and recreation for the City of Muskogee and surrounding areas and to improve the quality of life of residents of Muskogee. To read more about how the City of Muskogee Foundation is making a real difference, visit their website at [www.CityofMuskogeeFoundation.org](http://www.CityofMuskogeeFoundation.org). In 2013, more than \$3.8 million was granted to a variety of organizations, including the City of Muskogee’s Housing Rehabilitation program, Parks and Recreation (parks improvement), Muskogee County Transit and an Occupational Therapy Program at Northeastern State University. For a complete list, [click here>>](#)

**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?**

Please see comments above, but we believe this is a decision for the local current owners to make.

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

As a decentralized management company, this would be a local discussion, but dependent on proceeds of transaction are distributed, we believe the Foundation would have significant financial resources.

## **II. Management**

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

Below please find a description of the other key areas in which we believe there is significant alignment of strategic direction between our organizations. Please note however, each hospital maintains its own Mission, Vision, and Values statement in concert with their local Board of Trustees.

#### **Mission, Vision and Values**

Capella Healthcare's mission, vision, values and operational pillars have many similarities to those that guide WRMC. Some of the similarities include our dedication to providing the superior care, seeking to exceed the expectations of all we serve with compassion, being responsible stewards, and working together via collaborative relationships (note that the first word in Capella's mission is "together"). We both seek to make communities better, wherever we find ourselves serving.

Each of our hospitals determines its own mission, vision and values, using Capella's as a guide. Please find below the corporate mission, vision and values for Capella.

#### **Our Mission**

Together, making health care better for our communities.  
Setting a new standard in patient care excellence.

#### **Our Vision**

Hospitals in the Capella Healthcare family will be the center points for transforming the quality of life in their communities, focusing first on improving the health and well-being of every individual.

#### **Our Values**

Each hospital in our family of hospitals will grow in strength as a regional hub of care for its region. We strengthen and transform hospitals, providing the tools they need to outpace their competition. Each will work collaboratively with nearby tertiary facilities but these relationships will be negotiated from a position of strength. We will:

- Continuously improve the quality of healthcare in the communities we serve.
- Strengthen each hospital's financial capabilities in order to expand services through investments in new facilities and equipment as well as the recruitment of physicians and other essential clinicians.
- Serve everyone who needs care regardless of their ability to pay.
- Build outreach services and strong regional networks.
- Foster a workplace culture of innovation, quality improvement, competitive salaries and high morale, recognizing that employees are the hospital's front line for the community.
- Provide Evidence-Based Leadership® to all areas of hospital operations.
- Nurture strategic partnerships with physicians.
- Facilitate an active all-local Board of Trustees and promote strong medical staff relations.
- Provide capital for growth without the use of tax dollars or the need for private fund-raising.
- Add to the vibrancy of community life.
- Develop strategic partnerships with other organizations, including health care providers and educational institutions among others.

### **Operational Philosophy**

Our operating philosophy revolves around five pillars. These serve as our guiding lights as we set goals and make decisions. They establish our priorities while helping us achieve balance. Most importantly, they help ensure we all know that quality and culture, service and finance are not separate concepts distinct from each other, but are all vital to our success. Our five pillars are:

- **Quality** – We are passionately committed to providing the highest possible quality of care (right care, right time, right setting), providing the tools and training that helps our caregivers follow best practices as shown through evidence-based medicine.
- **Service** – We are dedicated to exceeding the expectations of all those we serve, and achieving continuously high customer satisfaction feedback.
- **People** – We are committed to collaborating with all constituents, empowering those who deliver the care and those who lead the people and processes. Our de-centralized operations model allows our local leaders to do what they do best, while relying on corporate staff for resources, support and counsel.
- **Growth** – With solid financial strength, we provide the resources that enable our hospitals to purchase new technologies, add services and recruit physicians to broaden the scope and quality of care. We invest in strengthening our relationships with physicians, recruiting strategically to meet community needs, and partnering to align incentives.
- **Finance** – We are focused on good stewardship of all we have, together leveraging our experience, shared wisdom and size to identify best practices and create efficiencies.

You can learn more about Capella’s pillars and servant leadership philosophy from our President and CEO Michael Wiechart in this short video on our website. He candidly discusses the Company’s management approach in this “Welcome to the Family” reception held at one of our newest hospitals.

"Our culture is really built around servant leadership. We see our role being to support you all in what you do. Plus we embrace a stewardship back to the community that we take very seriously... that's why we intentionally put the ‘people pillar’ in the middle. We invest a lot of time in our people and that focus is largely centered on the notion of empowering and developing leaders across the country."

Here’s a link to the web page featuring the video: <http://www.capellahealth.com/about-us/mission-vision/>

### **B. Will your organization maintain, grow, or reduce the Hospital’s current levels of charity care?**

Capella recognizes that each community hospital has a responsibility to care for the medically indigent within its service area. The amount of charity care provided is dictated by the needs of the community and not fixed or limited by Capella. We will commit to a charity care program consistent with the historical charity care practices of WRMC.

Please also note, Capella is a for-profit corporation and thus would be a tax paying entity to the benefit of the city, county, and state.

#### **1. How does your organization define “charity care,” “indigent care,” and “bad debt?”**

Charity care is defined as patients meeting established Federal Poverty level guidelines. These FPL may differ in our hospitals based on individual state requirements, but in general overall average for non-state specific requirements is 100% discount for patients < 200% FPL%. We also offer a 60% discount to all uninsured patients that do not qualify for charity. Bad debt represents the amount of uncollectible dollars

after the uninsured discount and after charity discount has been applied and may apply to uninsured and insured patients.

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

Our uncompensated Care (charity, uninsured and bad debt) at 6/30/2015 was 17.3% net revenue.

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

The employed physician clinics follow the same charity care policy as the hospitals. However, our clinics operate on a separate billing and collections system from the hospitals and therefore it is very difficult to determine the amount of charity care they provide each year. Our clinics often operate as the safety net for our communities as we except all patients and usually operate with an above average mix of Medicaid, Medicare, and self-pay patients.

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

**1. Will the management team retain their existing jobs?**

Capella would work with the local Board of Trustees before making any proposed changes to the local management team. We certainly understand the value of continuity in Leadership and would not intend to make any changes, but must reserve the right post consultation with local physicians, BOT, etc.

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

We often promote from within our organizations and allow team members to relocate through career advancement or for any other reason.

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

Although we provide tools and resources, like the Studer Group, these are local hospital decisions.

Enabling our hospitals to provide the highest possible quality of care is our goal. Capella has a seasoned team of experts whose primary focus is on quality indicators and outcomes, as well as patient safety and clinical risk management for each of our affiliated hospitals. Our decentralized management philosophy empowers the people who are closest to the patient and the community. We provide resources that help enable achievements. But without complete local leadership buy-in and full employee engagement, nothing of longstanding value can be achieved.

Our operating philosophy revolves around five pillars. The People Pillar is strategically located in the middle because Capella realizes that to achieve our goals of providing the highest quality of care (including outstanding patient satisfaction), our employees must be at the center of all we do. Additionally, research has shown that there is a direct correlation between the satisfaction of internal stakeholders and patient satisfaction. We believe this employee-centric approach is in alignment with WRMC's operating style as well.

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

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

Capella currently employs over 200 physicians and providers and some hospitals employ 70%+ of the physicians in their markets. Capella recognizes that successful physician integration and practice performance is vital. Our Physician Services Department is fully dedicated to the support of physicians who have chosen an employment model. This includes all of the same corporate support provided to our hospitals as well as clinical systems, billing platforms, EMR/EHR deployment, coding compliance, to ensure clinical excellence, productivity analysis and financial stewardship. Outstanding management support is available with an experienced staff through our corporate resource center.

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

Many Capella Hospitals operate wound care centers and we would support the local management team in growing that service line through our own experience and expertise.

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

Currently many of our hospitals are contemplating changes to their outpatient Diagnostic Imaging services and we will provide the capital, tools and management expertise to guide all hospital partners through future strategic planning process. We understand the price sensitivity surrounding hospital based DI services and welcome opportunities to address this from both a community perception and competitive landscape.

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

Many Capella hospitals operate a dialysis center and we would look to continue to support that service line.

**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?**

Please refer to the attached Capella Value Proposition in Tab 2 for responses to Section E.

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

The healthcare industry is possibly the single most regulated industry in the nation. Almost every healthcare activity, from dispensing drugs to serving meals to billing for services, is covered by laws and regulations at the city, county, state and/or federal level. In addition, our industry must adhere to standards set forth by numerous licensing and accrediting bodies, such as The Joint Commission (TJC) and the Centers for Medicaid and Medicare Services (CMS).

Capella’s Ethics and Compliance Program helps our hospitals navigate the complex environment of laws and regulations so that it is easier to focus on their key priority: providing the highest quality of healthcare. This is why we maintain a strong Ethics and Compliance program that is both comprehensive in scope and educational in nature. Capella works closely with each hospital to make certain all our

resources and training relative to governmental compliance and ethical conduct are in place. Our program is detailed with clear expectations for every employee, volunteer and physician as well as other affiliated Workforce members.

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

Capella hospitals participate with Medicare and Medicaid in each market and our surveys are through the Joint Commission. We are very proud of our survey results and can report we have never had any compliance or sanction actions against us. Much of that success is due to the dedicated staff and resources (including “mock surveys”) we have in our corporate support center to ensure our facilities remain compliant with the regulations and maintain a continual state of “survey readiness”. Please refer to the attached Capella Value Proposition in Tab 2 for additional information.

**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. In addition to the outstanding staff members at each hospital, a part of this success is no doubt due to the dedicated staff, support, training and other resources (including “mock surveys”) available through our corporate support center. Capella hospitals participate with Medicare and Medicaid in each market and our surveys are through the Joint Commission. We are very proud of our survey results and can report we have never had any compliance or sanction actions against us. Much of that success is due to the dedicated staff and resources (including “mock surveys”) we have in our corporate support center to ensure our facilities remain compliant with the regulations and maintain a continual state of “survey readiness”.

**III. Market Share and Growth**

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

Please see below description of a City owned hospital in Muskogee, OK with whom we partnered in 2007 and results of that transaction.

**EASTAR Health System** (formerly Muskogee Regional Medical Center – “MRMC”) in Muskogee, Oklahoma, is a shining example of how Capella Healthcare follows through on its commitments, significantly enhancing resources and improving the level of care available in a community.

Serving the community since 1922, MRMC was publicly-owned by the City of Muskogee and the Muskogee Medical Center Authority. Like many mid-size independent community hospitals across the nation, MRMC was struggling to operate in today’s ever-changing healthcare environment – due in large part to limited access to capital resources and specialized management expertise.

**“How We Chose Capella Healthcare”**

**We’re Changing the State of Healthcare in Muskogee**



Listen to Physician Dr. Jay Gregory and Board Member Darrell Hamby talk about what a significant difference their affiliation with Capella Healthcare has made for MRMC and the community they serve.

“The involvement with Capella has been very beneficial for MRMC, and has included access to capital (new equipment has been purchased, items we only dreamed about before), new services launched, new physicians recruited... we’re providing access to care we just didn’t have before.”

**Commitment** - On April 1, 2007, Capella entered into a 40-year long-term, pre-paid lease of MRMC with the Hospital Authority. The pre-paid lease payment of \$120 million was used to create a Community Foundation that today funds important programs related to healthcare and other community needs on an ongoing basis. With a mission to make a real difference, the City of Muskogee Foundation was established to develop, support, promote, and improve programs and facilities relating to education, arts, culture, community revitalization and beautification, social services, health care, economic development, infrastructure, housing and recreation for the City of Muskogee and surrounding areas and to improve the quality of life of residents of Muskogee. To read more about how the City of Muskogee Foundation is making a real difference, visit their website at [www.CityofMuskogeeFoundation.org](http://www.CityofMuskogeeFoundation.org). In 2013, more than \$3.8 million was granted to a variety of organizations, including the City of Muskogee’s Housing Rehabilitation program, Parks and Recreation (parks improvement), Muskogee County Transit and an Occupational Therapy Program at Northeastern State University. For a complete list, [click here>>](#)

Additionally, as part of the lease agreement, Capella made commitments including, but not limited to:

- The funding of future capital expenditures;
- Assurances that all patients in need of care will be treated regardless of ability to pay;
- Maintain all service levels offered;
- Adoption of existing contracts;
- Employment of all active employees;
- Highly competitive employee benefit package;
- Adoption of the existing Medical Staff Bylaws, subject to legal review; and
- Ongoing physician recruitment

**From Then to Now** - Since Capella’s partnership, the hospital has grown into a multi-campus health system. Following the purchase of Muskogee Community Hospital in 2012, the organization changed its name to EASTAR Health System, to better reflect its growth and new identity as a comprehensive 320-bed two-campus health system serving all of Eastern Oklahoma. The EASTAR Main campus (formerly Muskogee Regional Medical Center) was one of the first hospitals established in Oklahoma, and has grown to become one of the state’s largest and most comprehensive facilities. In addition to its nationally accredited cancer program, the hospital is also certified as a Level III Trauma Center and Primary Stroke Center. The EASTAR East campus (formerly Muskogee Community Hospital), which opened in 2009, was the first hospital in the nation to earn LEED-Gold for New Construction. This recognition of energy efficiency and design allowed this facility an opportunity to improve environmental quality through green planning, design, and construction as well as operations and maintenance practices. It is now being redesigned as a specialty center to better meet community needs.

Additionally, significant tax dollars now benefit the community. In 2013, approximately \$2.9 million in property, sales and other taxes were paid through these two hospitals which helped support the city, county and state.

**Recent Accomplishments** - EASTAR Health System continues to make outstanding progress as part of the Capella Healthcare family. Recognizing their significant accomplishment, the hospital was awarded a HealthStream “Excellence Through Insight” award for improvement in physician satisfaction (2012). And they’ve been invited to be a part of Oklahoma State University’s Community Hospital Rotation. The goal of the program is to immerse medical students in a more rural setting, exposing them to a variety of specialties, in an effort to encourage them to practice in these areas after medical school. EASTAR was a chosen as a facility in which the OSU medical students could get high-quality training says Vicky Pace, Program Director. “Our students must be able to do a lot and see a lot. And when we visited with physicians, they were excited about this opportunity. It takes more than one doctor, and (the hospital) has a variety of specialists available as well as enough volume to give the students the hands-on experience we require. (EASTAR Health System) has a lot to offer,” she said.

To learn about the most recent achievements, check out some of their most recent news, which includes:

- [EASTAR trauma center recognized for excellence](#)
- [EASTAR Health System opens new Senior Behavioral Care Unit](#)
- [EASTAR’s East Campus named to Becker’s list of “50 Greenest Hospitals in America”](#)
- [EASTAR Health System opens Center for Obesity Treatment](#)
- [EASTAR’s east campus to become maternity center](#)
- [Former Tulsa hospital exec takes Muskogee Post: CEO loves “caring for the community”](#)
- [Hospitals join together to create EASTAR Health System](#)
- [Merger of hospitals to bring changes](#)
- [Muskogee Community Hospital now part of Muskogee Regional as lease is finalized](#)
- [MRMC Earns HealthStream “Excellence through Insight” Award for Physician Satisfaction](#)
- [Doctor’s Personal Touch, Newest Technology Making a Difference in Cancer Care](#)
- [\\$1.2 Million Emergency Department Renovation Completed](#)
- [MRMC Adds \\$3.5 Million Novalis TX<sup>®</sup> Radiosurgery System](#)
- [Lean Healthcare Initiative Improves ED Patient and Staff Satisfaction, Shortens Wait Times](#)
- [MRMC Designated as a Level Three Trauma Center](#)

**Community Involvement** - Building on a long tradition of service, the EASTAR Health System Auxiliary and Volunteers continue to have a tremendous impact on the hospital, its patients, visitors and the community. In the past, they’ve provided hundreds of thousands of dollars in nursing scholarships, purchased new electric transportation vehicles to assist patients and visitors to and from the parking lot, and built children’s play centers for waiting rooms and wheelchairs. They helped build and now maintain the Memorial Healing Garden at the entrance of the main campus, dedicated to patients and visitors. In 2012, the Auxiliary gave 24,615 hours of service, including more than 2,300 from the Junior Volunteers. The Auxiliary also recently presented the 30<sup>th</sup> annual “Let’s Play Hospital” program for approximately 800 first-graders. The program is designed to alleviate fears of children who would need to come to hospital for surgery. To read more about this and see photos of Well Wabbit, the hospital’s mascot, check out this article in the [Muskogee Phoenix](#).

The hospital also continues its impressive community involvement and support. Check out these latest newspaper features:

- [MRMC Recognized One of Top Ten Donors in Impressive Community Giving Campaign](#)

- [Hospital receives Community Service Award of Excellence at 14<sup>th</sup> Annual Business & Industry Awards](#)
- [EASTAR Health System honored by Oklahoma Regents for Higher Education](#)

Learn more about their new leadership by visiting the [news section of their new website](#) where you'll also read about their new mission and direction, in the words of their Board of Trustees, medical staff, volunteers, and employees.

Learn more about the hospital's passion for excellence, see testimonials from patients, and check out the hospital's latest awards by visiting their website at [www.EASTARHealth.com](http://www.EASTARHealth.com)

- Hospital leaders discuss the benefits of the partnership their hospital has with Capella Healthcare. "The involvement with Capella has been very beneficial for MRMC, and has included access to capital (new equipment has been purchased, items we only dreamed about before), new services launched, new physicians recruited... we're providing access to care we just didn't have before," said Dr. Jay Gregory, a General, Thoracic and Vascular Surgeon who represented the hospital on Capella's National Physician Leadership Group and is now EASTAR's Chief Medical Officer.
  - "It's access to capital, it's access to people, it's access to programs and leadership training and involvement by physicians that we've not had in the past," he said. "You can also see tremendous changes in patient satisfaction and physician satisfaction surveys... We've made a lot of progress already and we're going to make more in the future."
  - Says Board Vice-Chair Darrell Hamby: "I think one of the original apprehensions might have been that Capella would just come in and take control of the hospital and simply run it. That's not been the case... there's been a \$25 million expenditure in equipment... and you can really see changes in MRMC ...from the front door to the patient rooms."

For a more complete overview of progress during the first two years of the partnership, [read our complete Case Study](#). Also, please reference information about Southwestern Medical Center above in Corporate Overview section.

**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?**

As a privately-held company with significant financial resources and capitalization, Capella re-invests **100% of net cash flow** back into our affiliated hospitals. A growth-oriented, patient-centered company, Capella will seek opportunities to grow and expand market share in WRMC's primary and secondary markets thru strategic capital investments in service line development, new equipment and technology as well as physician recruitment. Additional discussions with WRMC management, its Board of Trustees and medical staff are necessary to identify specific growth opportunities and initiatives.

As a growth-oriented company, Capella's focus is to grow and expand services through strategic capital investments in equipment and technologies supported by strong affiliation with the medical staff. Following a site visit and management presentation, we would be happy to discuss our vision for growth and expansion of healthcare services.

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

Capella has invested more than \$150 million in facility enhancements and equipment and technology upgrades since 2008. Along with ongoing routine technology and equipment updates, some recent specific projects at Capella hospitals include:

- ✓ \$6 million investment in expansion of surgery and operative services at Southwestern Medical Center in Lawton, OK.
- ✓ \$5.3 million investment in a full-service cancer center at Capital Medical Center in Olympia, WA.
- ✓ \$2.2 million investment in new imaging equipment at EASTAR Health System in Muskogee, OK.
- ✓ \$2.3 million in cardiac catheterization labs at National Park Medical Center in Hot Springs, AR and Capital Medical Center in Olympia, WA.
- ✓ \$2.5 million investment in IGRT oncology equipment at Southwestern Medical Center.
- ✓ \$3.5 million investment in stereotactic radial surgery at EASTAR Health System.
- ✓ \$1.0 million interior renovation of medical and surgical floors at EASTAR Health System.
- ✓ \$700,000 in renovations at St. Mary's Regional Medical Center's OB Unit and Women's Center in Russellville, AR.
- ✓ \$2.0 million approved project for linear accelerator and the creation of dedicated Breast Center at Willamette Valley Medical Center in McMinnville, OR.
- ✓ \$1.2 million on four digital mammography installations at Capella hospitals.
- ✓ \$1.1 million investment in Emergency Room management system at all facilities.
- ✓ Development of medical office buildings onsite at Southwestern Medical Center and planning for MOB projects at EASTAR Health System, National Park Medical Center and Willamette Valley Medical Center.
- ✓ Hospital based ASC at Southwestern Medical Center at a cost of \$5M.
- ✓ Soon to be completed OB expansion at Capital Medical Center at a cost of \$1.2M.
- ✓ Soon to be completed OR expansion at Capital Medical Center at a cost of \$16M.
- ✓ Soon to be completed medical campus expansion at National Park Medical Center at a cost of \$26M.

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

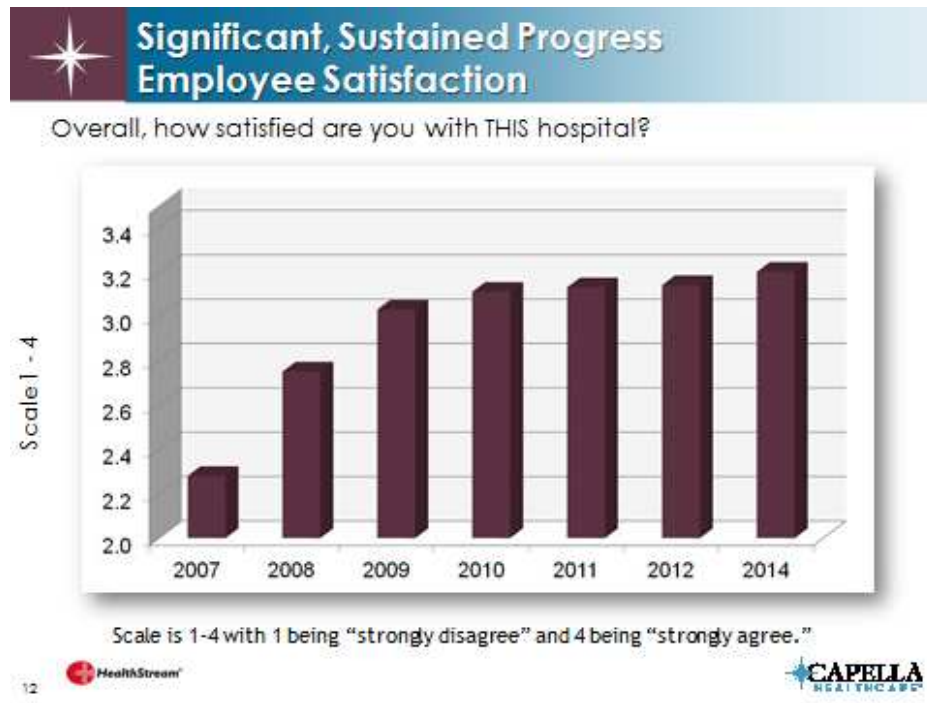
As example, Capella is currently involved with Sg2, Medical University of South Carolina ("MUSC"), and our two hospital partners in South Carolina to develop a long-term strategic plan for the primary and secondary service area. From the combined result (plan), we will have a better understanding of the opportunities to invest in additional physician office, urgent care centers, surgery centers, etc. to support our hospitals growth and stem outmigration. We would recommend a similar approach in the service area of WRMC to best determine future investment opportunities.

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

Capella will commit to on-going capital expenditures to ensure state-of-the-art technology, equipment and facilities are maintained. Capella's average annual capital commitment is expected to range between 3% - 4% of hospital net revenue. Specific projects to be pursued as part of the projected expenditures will be subject to input from the Board of Trustees.

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

Please refer to the attached Capella Value Proposition in Tab 2 for the tools and resources Capella provides to our partner hospital. Physician, patient, or employee satisfaction is supported by our Pillars and is in the forefront of our operational philosophy. If we do not get the People Pillar right, nothing else will matter as you will not have earned the trust and respect of the community you serve.



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

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

Capella strongly believes that the success of a hospital is dependent on the input, support, trust and confidence of the medical staff. Capella works diligently to develop a collaborative relationship with members of our medical staffs, both employed and independent, which includes the following initiatives:

**Physician Leadership Group:** In addition to traditional physician leadership roles, each Capella hospital establishes a Physician Leadership Group (PLG), which is comprised of 6-10 physicians representing a cross-section of the medical staff. The purpose of the PLG is to provide input to hospital Senior Management on strategic development, key initiatives, medical staff concerns, quality issues, etc. The PLG meets on a regular basis to provide valuable input and perspective. In addition, a representative from each hospital PLG is part of Capella's National Physician Leadership Group. These representatives meet with physician peers from other Capella hospitals on an annual basis as a means to share information between hospitals and to provide feedback directly to Capella Senior Management.

**Physician Satisfaction Surveys:** Constituent satisfaction, particularly the satisfaction of our medical staffs, is a key priority within each hospital and is monitored closely. Periodic surveys of our medical staffs provide valuable insight as to our effectiveness as an organization in meeting their needs. We are committed to creating an environment and atmosphere where our medical staff members feel their input is valued and recognized.

**Board Representation:** Capella recognizes that physicians serve as the primary referral base and are a key source for identifying innovations, necessary equipment upgrades, and systemic adaptations to improve the quality and efficiency of services. Involvement with physicians is visible throughout all of our hospitals that we operate, including substantial representation on the Board of Trustees.

**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?**

Capella's goal is to provide an appropriate mix of physician services in each community. We have been consistently successful in implementing our strategic physician recruitment and retention plans. We work with an independent consulting group to perform a market needs analysis with a focus on the un-served medical needs of the community. From that analysis, we developed a strategic recruitment plan to meet each of our market's healthcare needs. Each hospital develops a Physician Needs Analysis as part of the budget process. Capella will provide the resources and assistance in the recruitment of needed physicians. Physician recruitment efforts are coordinated with the support, endorsement and involvement of the hospital's existing medical staff and Board of Trustees.

We believe physicians are attracted to our hospitals because of several factors, including:

- our commitment to patient care excellence;
- our willingness to deploy strategic capital to improve the delivery of care;
- our focus on employing and developing high quality nursing and support staff; and
- our integration into, and support of, the communities we serve.

**Recruiting Resources** - Capella uses a combination of highly qualified internal recruiting resources and third-party experts to assist our hospitals in the identification and selection of physicians.

**Internal Resources:** Capella's physician recruiting is led by Ben Ross, President-Physician Services, who has 20+ years of experience in healthcare management. Ben works directly with each hospital's Director of Physician Recruitment or Physician Practice Director who coordinates onsite recruitment efforts. Ben works closely with the employed physician recruitment process, in particular start-up activities to make physicians successful in our hospital communities.

**Outside Expertise:** Capella contracts with multiple national physician recruiting firms and will work with additional contingency firms. Each firm must adhere to a strict set of rules when sourcing a candidate to maximize efficiency and effectiveness of recruitment efforts. As a result, we have a higher closing ratio and lower turnover than industry norms.

**Investment:** Capella hospitals invest a great deal of time and money into physician recruitment. The company spends an average of \$110,000 per recruited physician for the first year on physician start-up expenses. This expense includes all related recruitment fees, marketing and start-up cost for the physician's practice. This does not include income guarantee or salary compensation.

We also engaged Southwind (an affiliate of the Advisory Board) to work with Capella on identifying areas in which operations could be improved. Because physician employment is an expanding trend, Capella strives to be a leader in the industry in effective practice management.

Capella recognizes that successful physician integration and practice performance is vital. The Physician Services Department is dedicated to the support of physicians who have chosen an employment model. This includes all of the same corporate support provided to our hospitals as well as clinical systems, billing platforms, EMR/EHR deployment, coding compliance, etc. to ensure clinical excellence, productivity analysis and financial stewardship.

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

Yes.

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

Our recruitment packages are market competitive and include components such as: income guarantees, relocation assistance, education loan repayment, sign-on bonuses and residency stipends. Where market conditions warrant, Capella will employ physicians if necessary and appropriate. Regionally competitive salaries, incentive plans and benefit packages are offered. Capella uses the Medical Group Management Associations' Physician Compensation and Production Survey as a guide for achieving fair market levels of compensation.

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

Yes, if supported by the local management team, medical staff, and BOT.

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

- i. Provide options for recruitment in general surgery.**
- ii. Provide options for recruitment in orthopedics.**
- iii. Provide options for recruitment in gastroenterology.**
- iv. Provide options for recruitment in obstetrics/gynecology.**
- v. Provide options for recruitment in ophthalmology.**
- vi. Provide options for recruitment in dermatology.**
- vii. Provide options for recruitment in pulmonology.**
- viii. Provide options for recruitment in otorhinolaryngology.**

Please see response to question 1 above. The local management team is responsible for developing their recruitment plan in concert with their annual strategic plan. We will provide all necessary resources to

support that plan. Our Physician Services support center assist with the recruitment of over 50 physicians per year into our community hospitals, both employed and into independent practices. All of the specialties listed above are critical for any community hospital and our success in recruiting for the above is unmatched in the industry. Capella will give its full support to the above recruitment efforts if supported by the local leadership, BOT and medical staff.

**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?**

We do not operate hospitals in the State of North Carolina. However, we have partnerships with teaching hospitals (like UW Medicine and MUSC) where we participate in medical educational activities.

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

No. Any actions would need to be supported by the local management team, medical staff, and BOT.

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

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

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

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

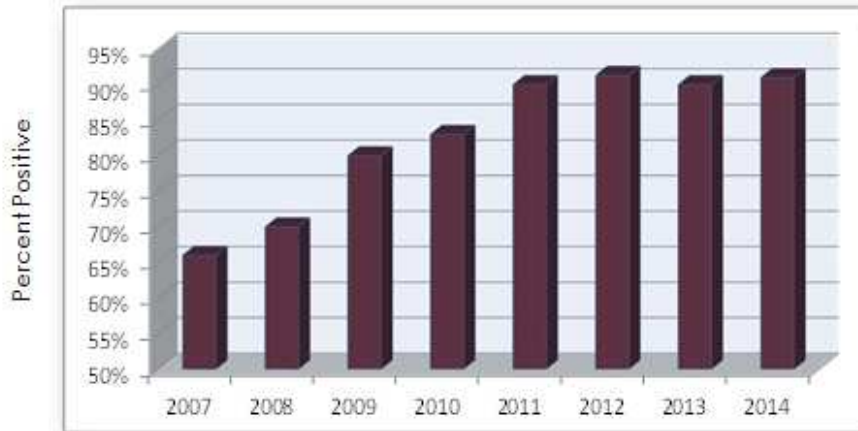
Capella operates many Hospitalist programs across the communities we serve. Each must be organized to the needs of the specific community served and we do not have or dictate a "cookie cutter" approach to these programs. Our Physician services department would work with local leadership to ensure an effective Hospitalist program is maintained and expanded to support the clinical needs of the patients and physicians served.

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

I believe we have discussed our approach to improving physician satisfaction above and in the attached Value Proposition, but the chart below demonstrates the effectiveness of our efforts over time since partnering with community hospitals just like WRMC.

**Significant, Sustained Progress  
Physician Satisfaction**

Overall, how satisfied are you with THIS hospital?



13

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

Please see above.

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

Please see above.

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

Please see prior responses above.

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

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

Most physicians are on a work RVU production compensation model with either quarterly or annual production goals tied to either base or incentive compensation. In addition, increasing numbers of physicians are being asked to assume risk in their contracts around several quality, service, and citizenship goals.

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

Yes. Practice acquisitions are on a case by case basis depending on the needs of the market, the opportunity, and the specialty. Acquisitions can range from total practice (i.e. hard asset purchase plus employment) to lease of assets from the provider with employment. We engage an independent third

party to conduct a Fair Market Valuation on our behalf to ensure any acquisition meets all legal requirements.

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

Capella Physician Operations are based on a local management model with the corporate office providing consultative roles based on the experience and expertise of the leadership team in practice management, strategic alignment and service delivery, recruiting, accounting, budgeting, managed care and payer negotiations, training and systems support.

Physician practices are setup in each market as one group with individual practices under the main NPI of the market group. Each market has an Executive Director with several years of management level practice administration experience. Depending on the size of the market, the Executive Director will have robust management team focused on quality, billing, EHR, and practice operations.

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

Questions i and ii are answered together as management teams work in conjunction with the physicians to create a shared vision for the creation of each practice. It is virtually impossible to have a successful practice culture without engaged collaboration by both parties. While the management team typically operates the day to day functions of the practice environment, it is always in concert with the physician complement in material matters such as personnel, marketing, planning, etc...

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

Please see i above.

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

We believe that all physician recruitment is best served by local leadership. Each market has a dedicated recruiting member whose job is to work with multiple sources to identify, screen, and coordinate candidates for market leadership. Capella Physician Operations leadership becomes involved in the offer stage to assist leadership in crafting cutting edge, compliant, and considered offers to attract the best and brightest to our hospitals.

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

Each year, individual hospitals work with Capella leadership and their local MEC and boards to identify recruitment goals based on their market physician needs analysis. Those recruitment goals, once agreed upon by all constituents, become immortalized targets for local and Capella leadership with estimated pre-funded subsidy amounts created in each hospital's budget.

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

Significantly less than market rates as we operate our own captive insurance company as discussed herein.

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

Benefits provided to our employed physicians and support staff at our clinics are offered the same benefits as Hospital employees.

**V. Clinical Services**

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

Capella will maintain core hospital services currently provided that are supported by the physicians and community, unless otherwise directed by the local Board of Trustees of the hospital. And, as market needs change, we are committed to adding new services.

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

Capella is committed to the growth and expansion of needed services in the hospital service area. In order to recapture the outmigration of certain WRMC patients to competing facilities in the region, Capella will specifically support the expansion of key service lines as supported by the Board of Trustees, Medical Staff and Community.

As a decentralized management company, our hospital management teams are responsible for the day-to-day operations of the hospital in concert with their Boards and experienced leadership team at Capella. This includes development of one-year and five-year strategic plans, in-market development activities to include potential in-market acquisitions. Leadership at Capella supports our hospital management teams in the development of strategic plans and the execution thereof.

**Annual Strategic Plan**

The strategic plan for all Capella hospitals is updated annually as the starting point for the capital, service demand and operating budgets for the hospital. It is the responsibility of the local hospital Senior Management Teams to prepare and update the strategic plan annually with input and direction from the Board of Trustees.

Before the start of the budget cycle, each management team will review their strategic plan with Capella's Senior Management. This annual presentation is an opportunity for hospitals to share strategies and ideas as well as provide Capella an insight to the individual hospital's vision for the next one to five years. Based on the strategic plans, the hospitals' Senior Management Teams are empowered to prepare the service demand, capital and operating budgets under the guidance and input from the Board of Trustees.

**Capella Responsibilities**

Capella's responsibility is to give the Board of Trustees, Senior Management Team and medical staff the guidance and resources they need to create and execute the plan.

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

Please refer to section B above.

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

Capella is a growth oriented company and therefore, we continually fund expansion opportunities as part of the annual strategic plan or on a case-by-case basis should opportunities arise.

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

We would support the local management team to determine opportunities to strengthen the partnership between WRMC and Wake Forest Baptist Health in the Heart Center of Wilkes Regional.

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

Capella is currently involved with Sg2, Medical University of South Carolina (“MUSC”), and our two hospital partners in South Carolina to develop a long-term strategic plan for the primary and secondary service area. From the combined result (plan), we will have a better understanding of the opportunities to invest in additional physician office, urgent care centers, surgery centers, etc. to support our hospitals and stem outmigration. We would recommend a similar approach in the service area of WRMC to best determine future investment opportunities.

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

Please see response to F. above.

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

Enabling our hospitals to provide the highest possible quality of care is our goal. Capella has a seasoned team of experts whose primary focus is on quality indicators and outcomes, as well as patient safety and clinical risk management for each of our affiliated hospitals.

**Corporate Clinical Resources** - Each hospital has a Chief Quality Officer who – supported by the corporate resource team – works collaboratively with staff to provide direction with a particular focus on: clinical outcomes measurement and improvement, Core Measures, HCAHPS, evidence-based practice standards, patient safety/risk, regulatory/accreditation compliance, clinical resource management and education/training resources. Our corporate leaders are involved in quality initiatives at national and state levels as well as within professional organizations, as are many of our hospital leaders.

**Culture of Patient Safety** - Capella is committed to sustaining a culture of patient safety. Each hospital has a Patient Safety Officer with oversight through the hospital’s Safety Committee. A hospital-wide risk assessment is completed annually, with a priority grid established based on results. Capella hospitals are constantly monitoring and proactively mitigating risks associated with “never events” to safeguard our patients and employees. Multi-disciplinary teams focus on fall reduction, medication safety outcomes, pressure ulcer and hospital-acquired infections reduction for Target Zero.

**Clinical Focus Areas** - Task force teams and clinical process initiatives across the Capella family of hospitals include: Quality Management, Clinical Resource Management, Emergency Department Work Groups, OB high-risk competencies/Association of Women's Health, Obstetric and Neonatal Nurses, Infection Control, pressure ulcer prevention (a national project) and concurrent process for Core Measures outcomes. Capella is very proud of the clinical excellence demonstrated by our hospitals.

Our Clinical Resource Management group is implementing integrated case management models, emergency departments are implementing Lean for Healthcare in order to improve the clinical quality of emergency medicine and our Infection Control initiatives are reducing surgical site infections, central line blood stream infections and ventilator associated pneumonias. Our corporate quality resource team is led by:

**Holly Clark, RN, FACHE**  
Vice President, Chief Clinical Officer

**Beverly Craig, RN, BS**  
Vice President – Regulatory Compliance and Clinic Risk Management

**Rick Brasher, CPCU**  
Vice President – Risk Management

**Shawn Green, RN, MSN, ACNS-BC**  
Vice President – Care Management and Appeals

By leveraging our size and common initiatives, Capella is able to secure exceptional pricing to partner with industry-leading companies to provide even more expanded resources to support our hospitals. To equip our leaders, employees, physicians and Board members with the tools and training they need to achieve their quality and service excellence goals, Capella has invested in these resources:

**Studer Group** –The leading national company that works with hospitals to improve patient satisfaction and quality outcomes, the Studer Group provides tools, guidance, training and other resources to help our hospitals with their customer service initiatives. Each hospital has a Champion Leader who is assigned to lead their patient satisfaction efforts in addition to their Chief Quality Officer.

**The Advisory Board Company** – Capella is a member of The Advisory Board, a company which provides research and decision-support guidance on hospital and health system strategy, operations, and clinical management. They offer a host of best practice research, teleconferences, tools and presentations addressing today’s most pressing issues. In addition to the Health Care Advisory Board, our entire family of hospitals has access to all of the training and research available through each of our memberships – Clinical Advisory Board, Health Systems Performance Initiative, HR Investment Center and the Marketing and Planning Leadership Council. Capella also utilizes the Physician Leadership Academy and the Crimson Clinical Advantage.

**HealthStream Research** — Capella hospitals aim to exceed the expectations of all of our constituents – patients, physicians and employees. We contract with HealthStream Research to measure constituency satisfaction for all of these stakeholders, as well as to conduct community perception surveys. Our hospitals are expected to achieve HCAHPS outcomes above national averages and to be their regional leader.

**HealthStream Learning** – Capella employees and physicians have access to extensive training and educational programs through HealthStream Learning, a company that focuses in human capital development using online and classroom courses. There are hundreds of electronic courses in all discipline areas available to employees and physicians. We also customize a curriculum for each hospital, based on a needs assessment developed by hospital CNOs, CQOs and Capella’s CQO.

**LEAN Healthcare** – In an effort to improve our ED processes and improve ED patient satisfaction, Capella has begun the rollout of LEAN Healthcare, starting with our emergency departments. Preliminary results include a significant increase in patient and employee satisfaction. The next phase of the project includes medical/surgical and intensive care nursing units.

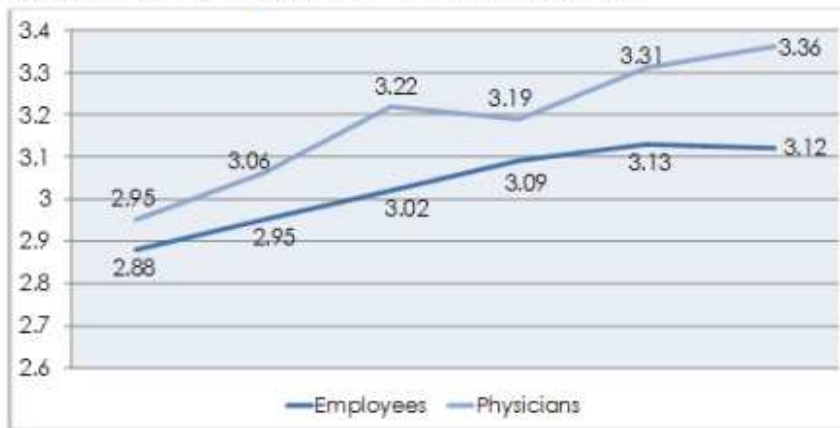
**Sullivan Group Emergency Department Education Modules** – Capella hospital ED nurses and physicians have access to specialized ED education through Sullivan Group, a leading provider of patient safety, risk management, and performance improvement solutions.

**Recent Quality Awards/ Recognition** – We know that providing outstanding patient care is critical to attracting patients, physicians, and employees to our facilities. In addition, providing high quality patient care is vital to achieving our operating and financial success. As a result, we have implemented several management and operating initiatives aimed at continuously monitoring and improving our quality of care. Capella is proud of the ongoing recognition our hospitals receive for quality and service.

Please refer to charts below for most recent companywide results.

**Significant, Sustained Progress  
Patient Safety Focus**

SAFE CARE: How would you rate this hospital's efforts by administration to provide safe, error-free care? (Trended results 2008-2012)



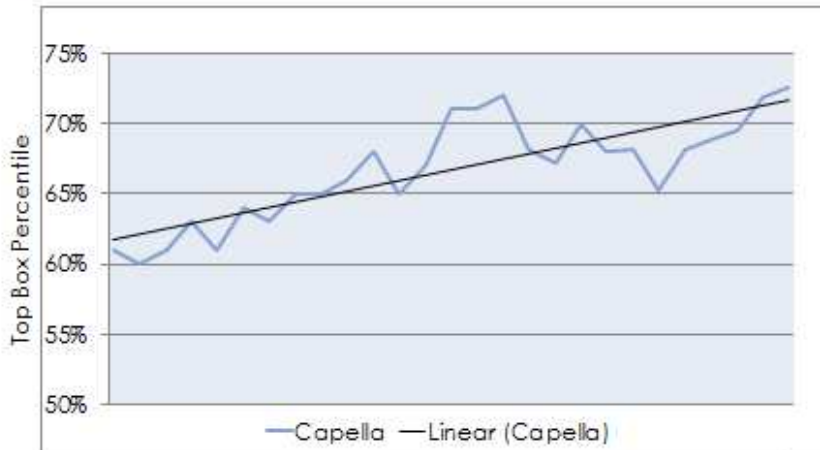
Scale is 1-4 with 1 being "strongly disagree" and 4 being "strongly agree."





## Significant, Sustained Progress Trended HCAPHS Satisfaction

Using any number from 0 to 10, where 0 is the worst hospital possible and 10 is the best hospital possible, what number would you use to rate this hospital during your stay? (Dec 08 – June 15)



HealthStream



## Core Measures Trended Results

Capella Core Measures Trended Results															
	Nat' Avg 4/12-3/13	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15
AMI	92.0	98.0	99.0	95.7	96.4	97.4	97.4	97.4	98.3	98.2	96.7	97.5	97.3	100	100
HF	97.0	96.0	96.0	97.5	97.1	96.0	94.1	97.4	99.7	99.0	99.1	98.7	97.4	NA	NA
SCIP	98.7	98.0	99.0	98.2	98	97.6	98.4	98.4	98.9	98.6	98.7	99.4	98.9	NA	NA
PN	97.3	94.0	96.0	96.9	94.5	96.5	96.0	95.6	97.1	97.9	97.5	97.6	98	NA	NA
OP Surg	98.1	99.0	95.0	95	96.1	96.9	98.6	98.9	97.5	97.2	98.8	97.1	98.6	NA	NA
OP AMI	79.0	92.0	93.0	91.4	96.1	94.3	96.2	95.9	95.5	97.0	97.6	100	98.7	95.9	98.5
IMM/PN	91.8	N/A	95.0	93.6	94	95.0	90.8	92.2	96.0	NA	NA	NA	NA	NA	NA
FLU	92.0	N/A	N/A	N/A	N/A	95.2	N/A	N/A	95.2	97.7	NA	NA	96.5	95.0	NA
VTE	92.3					N/A	N/A	N/A	85.8	95.0	96.1	94.6	98.3	94.0	97.6
STK	93.6					N/A	N/A	N/A	94.1	98.0	97.8	95.1	96.6	96.4	96.3
Composite/Average:		96.2	96.1	95.5	96.0	96.1	95.3	95.8	95.8	97.7	97.8	96.3	97.8	96.3	98.1

National Average Data= Most Recently Updated Hospital-Compare 04/01/2013-03/31/2012

\* Preliminary

AMI=Acute Myocardial Infarction

HF=Heart Failure

SCIP=Surgical Care Improvement Project

OP Surg= Out Patient Surgery

OP AMI=Out Patient Acute Myocardial Infarction

IMM/PN reported as separate measure set beginning July 2012

FLU/Influenza seasonally reported September-March

4



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

Each hospital and community is different in both services offered (case-mix) and historical community staffing metrics. Therefore, we do not ‘mandate’ any nurse:patient staffing ratio, but do offer our partner hospitals benchmarks for like hospitals and rather ask each hospital to be good stewards of the health care dollar.

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

Please refer to H above.

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

Please refer to H above.

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

Key to success in today’s challenging healthcare environment and initiatives driven by Health Care Reform (Affordable Care Act), each hospital must operate as efficiently as possible. At Capella, we believe it is critical to identify innovative methods and processes to reduce the costs from the healthcare delivery system without jeopardizing quality or eliminating service lines. One of Capella’s primary focuses will be on capturing cost savings as a result of our purchasing power. An affiliation with Capella allows for exceptional multi-hospital purchasing economies of scale, including discounted supplies and equipment, employee health insurance and general and professional liability coverage. Specific examples include:

**Supplies & Equipment:** Capella is a member of HealthTrust Purchasing Group (HPG). HPG is a group purchasing organization supporting nearly 1,400 not-for-profit and for-profit acute care facilities, as well as ambulatory surgery centers, physician practices and alternate care sites. Capella believes there is significant opportunity to lower supply costs for identical supplies utilized by WRMC and related clinics with the purchasing clout offered by HPG through a Capella affiliation.

**Employee Health Insurance:** Capella is self-insured for medical claims thereby reducing costly brokerage premiums, lowering administrative cost, Health Plan margins and reserves, etc. We anticipate WRMC would benefit from our self-insured and captive malpractice insurance company approach as we pool claims and premium allocations across all hospitals within our system.

**Liability Coverage:** Capella owns its own captive insurance company providing general and professional liability coverage at rates that are below what the open market commands from individual free-standing facilities. This is offered to all of our hospitals and employed providers.

**Lease Conversions:** Capella prefers to own vs. lease equipment, which is typically less expensive and creates greater cash flow. Thus, we will analyze all operating leases and utilize our financial resources to buyout expensive leases wherever possible and lower operational expenses and increased cash available for growth.

Additionally, by leveraging our size and common initiatives, Capella is able to secure outstanding pricing to partner with industry-leading companies to provide even more expanded resources to support our hospitals. To equip our leaders, employees, physicians and Board members with the tools and training

they need to achieve their quality and service excellence goals, Capella has invested in these additional resources discussed above.

For a more comprehensive review of our key vendor partners, view this section of our website: [Equipping our Leaders](#)

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

Yes, in many markets we serve. From free standing and large BH Hospitals to dedicated wings within our acute care settings.

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

Local hospital leadership in conjunction with the BOT and medical staff would develop this plan and Capella would support through our experiences in many other markets.

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

We have both very large free standing mental health facilities as well as floors of our acute care hospitals dedicated as mental health units. We provide both inpatient and outpatient services for the communities we serve.

**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 would work with local leadership to ensure adequate security measures are in place and enhance as needed and determined by local leadership.

**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.**

○ Included Assets / Assumed Liabilities: Land, Buildings and Equipment, Accounts Receivable, Inventory, Prepaid Assets, Accounts Payable-Trade and Accrued Payroll.

○ Excluded Assets / Liabilities: Cash, Cash Equivalents, Marketable Securities, Cost Report Receivables and Payables, Long-term Debt and Accrued Interest, Capital Lease Liabilities, Retirement Plan Obligations, Self-Insurance and Malpractice Liabilities, and all pre-close liabilities unless specifically assumed as part of the Long-term Lease Agreement.

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

No. Our hospitals vary by market on operating margins and we recognize each must be treated differently. Our goal is to work with each community hospital to continuously improve margins leading to improved cash flow and re-investment back into the hospitals we serve.

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

We typically contract with all managed care payors in the markets we serve unless there is a specific reason, driven locally, not to contract with a payor. In many markets, this includes narrow networks and Accountable Care Networks.

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

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

**Employee Health Insurance:** Capella is self-insured for medical claims thereby reducing costly brokerage premiums, lowering administrative cost, Health Plan margins and reserves, etc. We anticipate WGH would benefit from our self-insured and captive malpractice insurance company approach as we pool claims and premium allocations across all hospitals within our system.

**Liability Coverage:** Capella owns its own captive insurance company providing general and professional liability coverage at rates that are below what the open market commands from individual free-standing facilities. This is offered to all of our hospitals and employed providers.

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

Professional & General Liability coverage is provided by our captive insurer for the first \$5m per incident with a \$250,000 self-insured retention (SIR) which is seamless to the hospital as the annual premium incorporates this SIR in its actuarially determined rates per facility.

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

Capella purchases excess reinsurance over and above the captive. The excess is purchased in layers, all from A.M. Best rated carriers such as Lloyds Syndicates, Allied World Assurance Company, Endurance Specialty Insurance and Hiscox Insurance Company. Our excess program also covers our automobile liability, Workers' Compensation and Helipad Liability.

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

New acquisitions automatically fall under our program from day one. As part of our due diligence, we will obtain basic information such as average daily census, births, ED visits, inpatient surgery, clinic visits and other outpatient visits, etc. An actuary will determine the annual premium using a blended formula based on net revenue, occupied bed equivalents and loss history.

With this form of "self-insurance," the hospital administration will maintain a strong voice in all decisions. Capella has a third party administrator on retainer to investigate all potential medical malpractice incidents. They report jointly to the hospital and corporate risk management department. All key decisions will involve the facility's designee.

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

Capella has converted our hospitals to a common clinical platform (MEDITECH Client Server 6.0). This strategy provides us with a solid strategic platform to deliver ever advancing clinical functionality required by American Recovery and Reinvestment Act, our clinicians, as well as allow IT and clinical departments to leverage the best practices of other facilities (the power of the system). This effort includes a common design across, via cross facility work groups, all of our facilities with a subsequent tailoring to account for facility unique requirements (e.g., interfaces to different departmental systems).

This system initiative, in conjunction with our other process improvement initiatives, helps to ensure that appropriate and consistent quality patient care is administered quickly and reliably to our patients. Additionally, our Physician Advisory Group has been set up to foster collaboration with our physicians to assist us in setting technology strategies and tactics as well as providing patient care excellence through technological improvements. Currently, physician leaders are finalizing the CPOE tool for our systems in coordination with IT/IS management.

Capella has also implemented Athenahealth at all of its employed physician practices allowing for a consistent and streamlined revenue cycle process (via Athena Collector) as well clinical processes (Athena EMR). We have also entered into an agreement with Athenahealth to offer the Athena EMR to our affiliated/independent Physicians at a reduced price.

In terms of other applications (e.g., HR, payroll, materials management) Capella has preferred vendors that we offer to all of our affiliated facilities.

As part of our due diligence process, we will want to better understand what applications WRMC runs today and discuss what applications we will want to implement on a case by case basis. Our strategy is to evaluate your current application portfolio and look to migrate to Capella preferred vendors where appropriate over a period of time. This can reduce both implementation and on-going maintenance cost for each partner hospital. However, we must take into consideration your current platforms, expenses related to a transition, impact on hospital and physicians and Hi-tech/meaningful use dollars. This will be accomplished through collaborative efforts with WRMC to come up with any final platform.

Capella is well positioned for Health Care Reform through the deployment of tactical tools, systems, processes and people that will help ensure success well into the future. Specific areas of focus (please also see “Value Proposition”):

<p><b><u>Quality Investment &amp; Infrastructure</u></b>  Enhanced Corporate Resources to Drive Clinical Quality Support  Studer Engagement/ Evidence Based Leadership/ Hardwired Accountability  LEAN Deployment  CRIMSON Clinical Advantage  Advanced Clinical IT to Support Evidenced Based Medicine (Zynx)  HealthStream Performance Improvement Center</p>	<p><b><u>Physician Engagement</u></b>  Chief Medical Officer Focused on Quality/Medical Staff Engagement   LPLG/NPLG (Local &amp; National Physician Leadership Groups)   Pilot Innovative Physician Alignment/Clinical Integration Strategies</p>
<p><b><u>Operations Excellence</u></b>  Clinical “Effectiveness” is Next Level of Opportunity</p>	<p><b><u>Strategic Growth &amp; Capital Deployment</u></b>  Developed Reform-Based 5-year Projections for each Hospital</p>

Evidence-Based Leadership (EBL) at Unit/Department Level Capital Flexibility to Lower Fixed Cost Structure	Outpatient Growth Strategies Higher Acuity Service Development Tertiary Clinical Integration and Innovative Regional Partnerships
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**1. What is your organization’s current information technology vendor?**

Capella has a corporate wide IT Agreement with HCA/Parallon for many IT Services. This allows us to leverage the power of a large IS organization for most of our data center, network, security and other technical requirements. From an application perspective the following vendors form the core of our IS portfolio: Meditech, Meditech ER module; Meditech Medical record scanning, Kronos, SMART for Supply Chain, athenaHealth, Morrissey for Case Management, UltiPro (HR/Payroll) and McKesson for PACS among others.

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

Capella would leverage our existing relationships with Parallon to provide network, security and other infrastructure assistance to WRMC. This relationship also allows Capella to leverage deeper contracting discount on applications that may already be in your portfolio like CISCO and 3M.

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

Capella’s core EMR is Meditech 6. We are planning on upgrading to version 6.15 in 2016 which will provide for advanced physician work flows and functionality. Our approach is leverage Meditech 6 for as much functionality as we can and then wrap around departmental systems such as OB, PACs, Cardiac PACs, etc...

**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)?**

We would be willing to explore further your system(s) to see if it is meeting your current needs and how our approach will mesh with your current strategic direction. Our approach is not “cook book” based but rather a flexible approach that blends our corporate IT strategies with the applications that you may already have in place.

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

Meditech 6 can be implemented at WRMC but would be a replacement /full EMR implementation effort. If that is the right strategy for your facility then a detailed cost analysis would be worked up during the due diligence process. Meditech 6 can “talk” to other EMRs via MU required CCD transactions.

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

At the present time we do not know enough about your current technology to make any definitive statements. As part of our due diligence process we will look for opportunities to fill technology or application gaps with Capella solutions, cost reduction opportunities (e.g., move to Capella contracts to

save money), as well as any costs to migrate to Capella systems for Supply Chain, Finance and HR/Payroll. These core systems provide us with a common platform to control costs, assess contract adherence and deliver common benefits to our associates.

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

Yes. We can work with multiple vendors to support population health requirements and ensure we are tied into other ACN providers. On April 1, 2014, Capella and **UW Medicine**, Seattle, Washington, formed a collaboration agreement to support complex tertiary and quaternary care services for patients of Capital Medical Center located in Olympia, WA. This has grown to include a significant ACN in the Puget Sound region with multiple employer and payor clients (*The Boeing Company, State of WA Healthcare Authority, and Premera Blue Cross*). Additionally, we are jointly building a robust urgent care/primary care clinic in our market to better serve the community and meet the Triple Aim in population health management, and IT connectivity is a major initiative. Similar partnerships would be looked at but depend on the partner your facility would choose for ACOs or population health. Our strategy is to integrate with the tertiary partner you choose in your market and integrating in with their solutions for connectivity (e.g., HIE) where possible. At the present time we have several clinical analytics platforms (e.g., Crimson) and are looking to select and implement new capabilities in 2016.

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

After an extensive evaluation of different strategic opportunities, Capella Healthcare has partnered with Medical Properties Trust, Inc. (MPT). This partnership will provide capital for us to continue to build upon our legacy of service excellence to our existing community hospitals and to provide support for our long-term growth plans.

We will remain Capella Healthcare, and hospital management will not change. Capella will continue to be a private company, even though our new partner – MPT (NYSE:MPW) – is publicly traded real estate investment trust.

This is a time of significant growth and opportunity for Capella Healthcare. We are honored that four outstanding additional hospitals have chosen us this year to be their future partner, and we are currently conducting due diligence research as we evaluate these opportunities. Our relationship with MPT further strengthens Capella's financial strength and access to capital to best serve the needs of our partner hospitals. We understand that access to significant capital dollars is essential as we enter this new season of growth.

In the meantime, rest assured that the MPT partnership is a very positive development for our company that will help us achieve **our mission of – together – making health care better for our communities and setting a new standard in patient care excellence.**

In terms of IT investments, Capella will develop a list of IT related projects that would be implemented over the first one to two years that refresh aging infrastructure, fill functional gaps in the application portfolio (further operational automation) or allow us significant opportunities to bend your current cost curve or enhance revenue. Capella is able to leverage HCA/Parallon and other Capella contracts to deliver solutions to our facilities at a lower price point than a single facility is able to achieve. Each year we put together a list of capital projects for all of our facilities, review with our governance committee and compile a list of the projects that best align to our business strategies.

## **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.**

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

We incorporate internal and external parties to assist with facility planning. When appropriate, we prefer to work with in-market architects and developers on projects, but have an operations team to support the project from planning through final construction. We are currently in the middle of a \$26m expansion in Hot Springs, AR and a \$16m OR expansion in Olympia, WA along with many other projects.

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

We attempt to move all projects along very quickly, but each is different dependent on complexity, zoning rules, permitting, etc. so a specific timeline could be misleading. However, we can move at a very rapid pace as we are growth oriented company.

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

Through the strategic planning process discussed herein.

### **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?**

A site visit and environmental/building survey would need to be completed – along with discussions with local management teams before responding to this question. As evidenced in our response to III. C, we are committed to investing in our hospitals and markets we serve.

### **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.**

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

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

We simply do not have enough information at this point to give a specific capital commitment on the above projects and would need time for site visits, due diligence, etc. Historically, we have invested 4% of net revenue back into our hospitals.

### **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?**

Capella will commit to on-going capital expenditures to ensure state-of-the-art technology, equipment and facilities are maintained. Capella's average annual capital commitment is expected to range between 3% - 4% of hospital net revenue. Specific projects to be pursued as part of the projected expenditures will be subject to input from the Board of Trustees.

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

Our new partnership with MPT will provide the funding to enable Capella to continue investing in new services and providers as well as to provide efficient access to capital in support of our long-term growth plans.

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

NA

**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.**

Please visit the website below for our 10-k and all other related financial information.

<http://www.sec.gov/cgi-bin/browse-edgar?company=Capella+Healthcare&owner=exclude&action=getcompany>

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

NA – through our transaction with MPT, Capella no longer has any bonds or public debt instruments.

**VIII. Retention of Employees**

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

Capella will employ all active employees at current pay scales, accept seniority for all aspects of our benefit plans, waive all waiting periods and pre-existing condition limitations, and implement a highly competitive benefit plan for all employees.

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

Not enough information to appropriately answer this question. However, any staff reductions may be accomplished through hospital attrition as we prefer not to implement reduction in forces post the start of a new hospital partnership.

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

Our corporate HR resource center would work with the hospital in any capacity needed to support recruitment efforts.

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

We offer many tools and resources as discussed in our Value Proposition in Tab 2.

As example: **Studer Group** –The leading national company that works with hospitals to improve patient satisfaction and quality outcomes, the Studer Group provides tools, guidance, training and other resources

to help our hospitals with their customer service initiatives. Each hospital has a Champion Leader who is assigned to lead their patient satisfaction efforts in addition to their Chief Quality Officer.

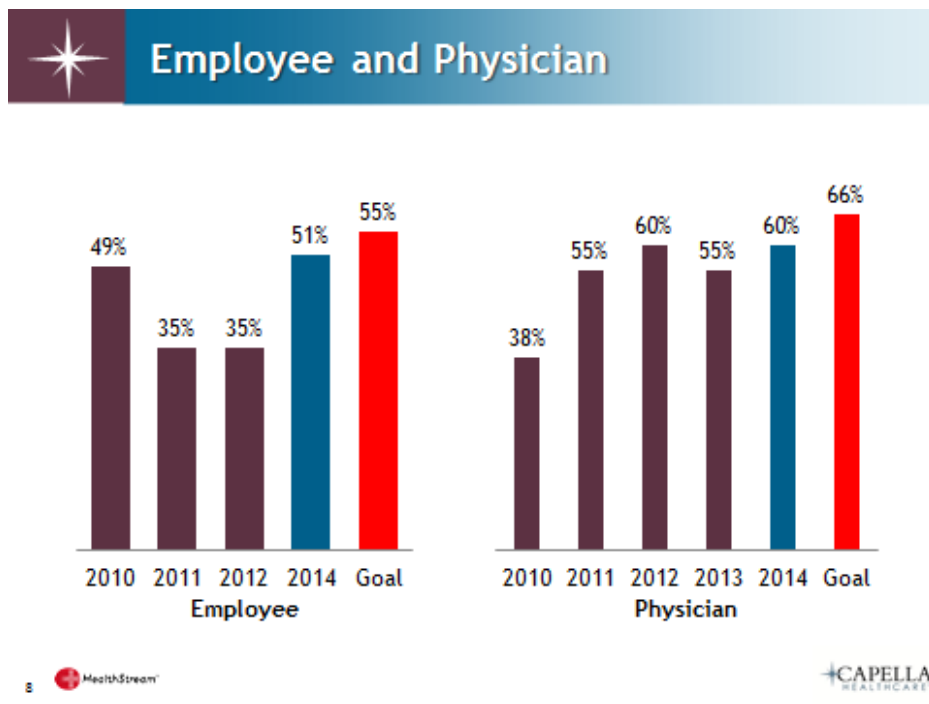
The slide below is how we measure those of us that work in our corporate resource center and our servitude to the employees in the field. Our survey process is integrated into our reviews and earnings to always ensure we are adding value to our hospitals. And from this, we make changes every year so we can better serve the needs of our hospitals.

## Field Officer Corporate Office Survey

Hospital O Responses						
Trend Report - Resource & Planning Survey (Corporate Services)						
Category	Resource	2011	2012	2013	2014	2015
GROWTH RESOURCES	Rolling Service Line Evaluation & Expansion	2.34	2.94	2.09	2.85	2.89
	New Service Line Evaluation & Development	2.17	2.95	2.13	2.81	2.74
	Inventory Development/ Acquisition	2.09	2.88	2.39	2.08	2.00
	Marketing/ PR	2.05	2.28	2.41	2.18	2.12
	Capital Investment Process	2.38	2.00	2.21	2.88	2.75
PHYSICIAN FOCUS	Managed Care Contracting	2.40	2.18	2.21	2.41	2.38
	Physician Recruitment	2.22	2.93	2.22	2.05	2.19
	Practice Management	2.25	2.97	2.42	2.12	2.15
	Physician Relations (addition)	2.34	2.00	2.24	2.71	2.05
HR RESOURCES	Leadership Development	2.24	2.84	2.05	2.51	2.58
	HR Support	2.30	2.88	2.03	2.94	2.70
	Benefits Management Programs	2.34	2.81	2.15	2.82	2.74
	Completeness of Benefits	2.30	2.48	2.68	2.47	2.71
ALL OTHER CORPORATE RESOURCES	Payroll	2.20	2.21	2.27	2.07	2.17
	Critical Risk Management	2.47	2.24	2.27	2.22	2.02
	Compliance	2.35	2.42	2.62	2.12	2.97
	Corporate Accounting / Treasury	2.20	2.17	2.45	2.04	2.89
	Cost Savings Separated from Divisibility in 2012					2.18
	Cost Savings	2.05	2.24	2.68	2.17	2.12
	RMT / Coding	2.01	2.85	2.95	2.81	2.54
	Information Services	2.05	2.02	2.24	2.02	2.79
	Internal Audit	2.42	2.21	2.48	2.27	2.21
	Legal Services	2.70	2.61	2.79	2.69	2.12
	Materials Management *	2.22	2.94	2.18	2.12	2.84
	Operations Finance	2.45	2.21	2.42	2.07	2.97
	Quality Improvement	2.30	2.20	2.42	2.11	2.15
	Regulatory Compliance	2.35	2.27	2.29	2.20	2.24
	Reimbursement	2.20	2.15	2.29	2.15	2.04
	Resource Management/Case Management	2.02	2.97	2.07	2.82	2.65
	Revenue Cycle/Business Office Support	2.25	2.12	2.14	2.85	2.52
Risk Management	2.46	2.27	2.48	2.29	2.02	
Staffing / Productivity/Management	2.24	2.79	2.68	2.48	2.22	
Tax	2.32	2.14	2.22	2.22	2.10	
<b>COMPOSITE SCORES</b>		<b>2.25</b>	<b>2.08</b>	<b>2.28</b>	<b>2.92</b>	<b>2.93</b>



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



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.

Capella offers a full array of benefits for its employees that add considerably to the value of their salary. Benefit options include medical, dental, vision, medical and dependent care spending accounts and others. In addition, the Company offers short and long term disability plans and group life insurance for its employees. Capella offers a 401(k) plan for retirement planning for its employees and for physicians and Officers, an additional Deferred Compensation Plan is offered. These plans are further enhanced by our health and financial wellness programs as well as discount programs to including such benefits as Fitbit subsidies and Computer, Appliance and Mobile carrier discounts among others. In previous acquisitions, we have found our benefit programs compare favorably with other facilities on choice and affordability.

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

All Hospital Employees who have met eligibility requirements under the Hospital Plans by the date the transaction closes will remain eligible to participate in Capella plans day one. All hospital employees are eligible to participate in the Capella 401(k) plan subject to normal vesting requirements based on years of service and hours worked. Capella will give credit for all years of service.

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

Capella will give credit for all years of service for all employees which positively impact time off accruals and benefit eligibility requirements.

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

We offer many opportunities for professional development. We have been in a long term partnership with **HealthStream Learning** that provide our employees, volunteers and physicians many approaches to learning; we provide online education sessions, instructor led classes with hands on experience using manikins, access to webinars, vendor led training along. In addition, we offer leadership development programs through the Studer Group, Advisory Board and Capella created training content for line managers and supervisors Our general approach is to create a customize curriculum for each hospital, based on a needs assessment developed by hospital leadership teams and Capella's corporate quality and human resource teams.

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

We have an extensive employee assistance plan that includes work/life balance benefits, access to legal assistance, childcare assistance and many other features. Employees may access counseling sessions through our EAP or may seek assistance through their own provider (in which case the costs may be paid through the FSA plan). As for behavioral counseling, Capella believes in treating each person with dignity and fairness. Our approach to behavioral counseling follows more of a corrective action format which allows the employee to first understand the performance issue and have a fair chance to correct it through verbal counseling, written counseling and then a performance improvement plan. Capella does not have a formal grievance process. Because Capella believes in allowing the Hospital to operate fairly autonomously, the local leadership would be responsible for developing and maintaining a grievance process.

**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?**

Capella will employ all active employees at current pay scales, accept seniority for all aspects of our benefit plans, waive all waiting periods and pre-existing condition limitations, and implement a highly competitive benefit plan for all employees.

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

By the local management teams.

**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.**

Capella's de-centralized operations model allows our local leaders to do what they do best, while relying on corporate staff for resources that enable us to leverage our size and our collective experiences, to create efficiencies and share best practices. By investing in our leadership – empowering those who deliver the care as well as those who lead the people and processes – our success rewards everyone who is a part of the Capella family, and most importantly, means our patients receive the best care possible.

**Support Services include:**

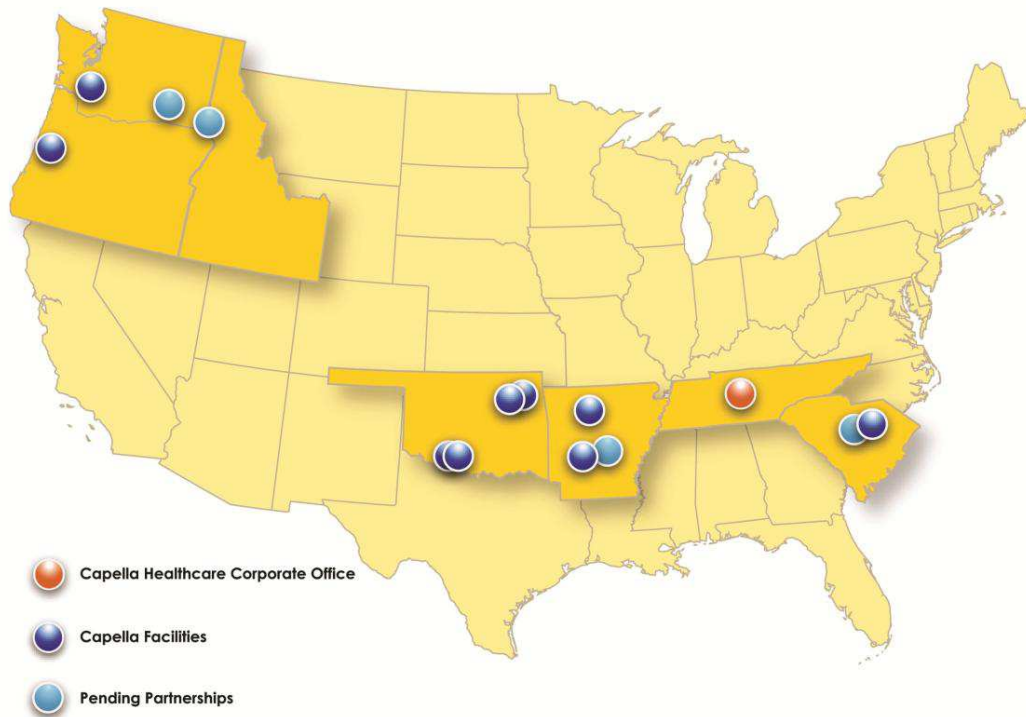
Accounting Support	Internal Audit
Accreditation & Regulatory Compliance	Insurance & Risk Management
Benefit Program Management	Legal Counsel
Business Development, including in-market acquisition support	Managed Care Contracting (hospitals & employed practices)
Business Office / Revenue Cycle	Marketing and Public Relations
Capital Investment	Materials Management & Purchasing
Case Management & Resource Utilization	Physician Practice Management
Compliance & Ethics	Quality Standards & Monitoring
Customer Service Training (Patient Satisfaction)	Recruitment (physicians and employees)
Decision Support Services	Referral Development
Education & Leadership Development	Reimbursement
Financial Systems & Support	Revenue Cycle Systems
HIM / Medical Records, Coding & Revenue Integrity,	Taxation Management
Human Resources, including Talent Management (recruitment & retention)	Treasury & Cash Management
Information Technology & Services	

**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.**

Although Capella does not today operate hospitals in North Carolina today, we are a growth oriented company and see NC as a very attractive market. Please note, in the states where Capella operates hospitals today we often only have one or two hospitals. We do not believe the key to success lies in how many hospitals you operate, but the way in which you serve your communities that matters most. Additionally, as mentioned above, we would look to form a clinical collaboration agreement with a tertiary/quaternary partner as we have done with UW Medicine and MUSC Health.

As the map below indicates, Ascension Health (a non-profit Catholic system) has entrusted Capella to continue their two ministries in the Northwest (Pasco, WA and Lewiston, ID). Currently we operate one other hospital in Washington and one in Oregon. Even with only one hospital in each, we have already gained a very solid reputation in those states. Both hospitals perform extraordinarily well on quality and satisfaction scores, and are growing rapidly due to significant capitalization.



Our partnership with UW Medicine allows us to collaborate with a very strong tertiary/quaternary partner to continue to grow our services for the Thurston County community and surrounding region. We continue to be one of the fastest growing hospitals in the state. Managed care payors (as well as employers) are coming to us – in concert with UW Medicine – for narrow network/population health management.

What sets us apart, we believe, is the fact that we have the tools and resources (please see Value Proposition attached in Tab 2) to drive local success, be it with one hospital or ten hospitals in any given market. Most importantly, we understand that partnering with high quality and strong tertiary partners through collaboration agreements can benefit not only both parties, but specifically the patient population we serve.

Therefore, it would be vital for Capella to pursue a clinical affiliation to ensure the highest quality of care continues to be paramount at WRMC. Given a relationship exist between Wake Forest Baptist Medical Center and WRMC, we would look to local hospital leaders to determine if that cardiology affiliation can be expanded.

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

As a national leader in the development and operation of healthcare facilities, Capella recognizes that this new era requires that all hospitals have strong partners in place to succeed. And, while we have had numerous opportunities to acquire facilities, we are very selective, choosing to focus only on a few select hospitals and communities.

In the cover article in *HCE Exchange* magazine, published in June 2014, entitled **“Forging Partnerships that Make Communities Better,”** President and CEO Michael Wiechart said: “We are differentiating Capella through quality and – because we are a smaller company – every single hospital in our family is

vitaly important. So we aren't looking to acquire hospitals simply for the sake of growth. If we can't add value for the hospital and the community, or the hospital doesn't have the commitment it takes to improve quality, then we're not going to waste our time or theirs."

WRMC is the type of strong organization – in need of the right partner to ensure long-term success – in the type of community that is the perfect fit for Capella Healthcare. And, we believe – based on what we know now – that we could be the best partner for WRMC.

Capella is dedicated to helping hospitals like WRMC deliver a new level of healthcare for their communities through innovative market strategies, experienced leadership, and capital investment to grow services and expand regional influence. We have experienced significant and sustained success. And we are excited about learning more about the specific needs of WRMC. As you know, our vision is for each hospital to become the center point for transforming the quality of life in their communities, focusing first on improving the health and well-being of every individual. And, while we have earned a national reputation for engaging in creative partnerships tailored to specific communities, we ensure that our hospitals are negotiating from a position of strength.

Leaders have described Capella's business strategy as solid, not just in the words used to describe it, but in how we successfully execute it. And, now more than ever, individual hospitals' business strategies must include strong partnerships in order for them to thrive and continue improving care in the era of healthcare reform.

Capella's leadership understands the complex dynamics of the delivery of healthcare, hospital growth and expansion of services. It is our depth of hospital experience that gives us the ability to see new opportunities and build long-lasting relationships with hospitals and communities so that – working together – we can look to the future with confidence.

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

We would defer an answer to the above question until such time we were able to meet with the hospital leadership to gain a better understanding of their strategic goals.



# VALUE PROPOSITION

September 2015



## OUR MISSION

Together, making health care better for our communities. Setting a new standard in patient care excellence.

## OUR VISION

Hospitals in the Capella Healthcare family will be the center points for transforming the quality of life in their communities, focusing first on improving the health and well-being of every individual.

## OUR VALUES

Capella employees, physicians and volunteers:

- Are committed to working together, collaborating to provide the best possible health care
- Make the safety, comfort and well-being of our patients the top priority
- Are honest and truthful, acting with integrity at all times
- Are courteous to all, respecting the feelings and viewpoints of others
- Value all resources and use them wisely

**Capella Healthcare** partners with communities, empowering the people who care the most about their hospitals. From Physician Leadership Groups to strong local Boards of Trustees to our focus on fully engaged employees, we proactively seek ideas, initiative and involvement from patients, providers and our publics.

Our decentralized management approach recognizes that all health care is local and that we must have strong local leaders who prioritize constituency satisfaction. In this challenging environment, our leaders must be compassionate and creative while consistently making tough, yet balanced decisions in the best interest of their hospital and all of their stakeholders. They must know how to deliver outstanding quality care and excellent patient service with a superior focus on engaging their physicians and employees. These are the things that will create a successful thriving community hospital. And these are the things in which Capella Healthcare excels as a partner.

This document provides a brief overview of the resources Capella provides to our family of hospitals.



## OUR FAMILY OF HOSPITALS

### Arkansas

- National Park Medical Center – Hot Springs
- Saint Mary's Regional Medical Center – Russellville

### Oklahoma

- EASTAR Health System – Muskogee
- EASTAR Health System – East Campus
- Southwestern Medical Center – Lawton
- Southwestern Behavioral Health Center

### Oregon

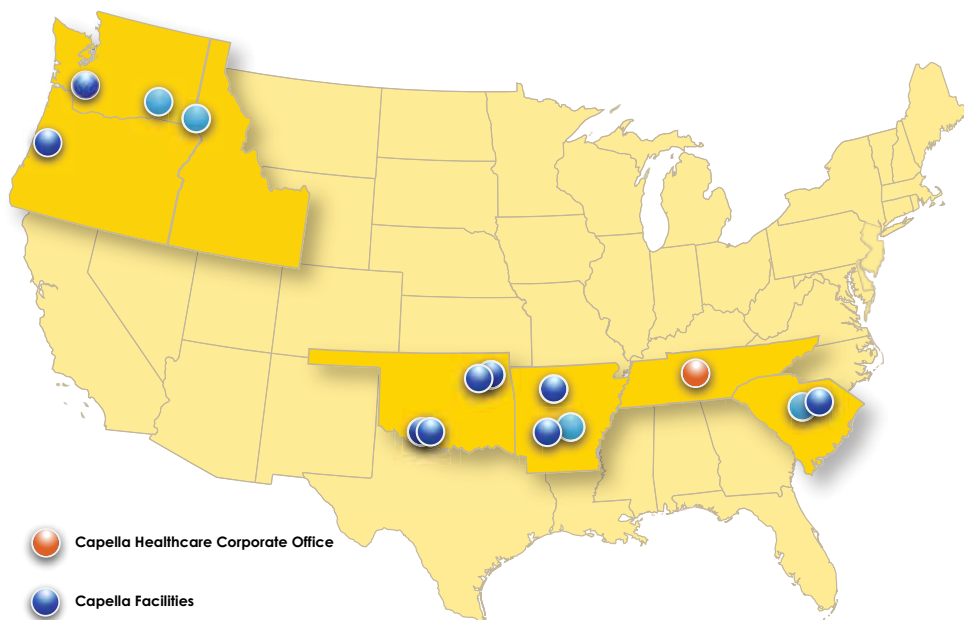
- Willamette Valley Medical Center – McMinnville

### South Carolina

- Carolina Pines Regional Medical Center

### Washington

- Capital Medical Center – Olympia



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**Nine hospital campuses in five states**

**\$817 million revenue**

**6,500 employees**

**800 + physicians**

**750,000 patients (annually)**





**Holly Clark, RN, FACHE**  
*Vice President, Chief Clinical Officer*



**Beverly Craig, RN**  
*Vice President – Regulatory Compliance and Clinical Risk Management*



**Shawn Green, RN, MSN, ACNS-BC**  
*Vice President – Care Management and Appeals*

## OUR OPERATIONAL PHILOSOPHY

Our operating philosophy revolves around five pillars. These are our guiding lights as we set goals and make decisions. They establish our priorities while helping us to achieve balance. Most importantly, they help ensure we all know that quality and culture, service and finance are not separate concepts distinct from each other, but are all vital for success. Our five pillars are:

- **Quality** – We're foremost passionately committed to providing the highest possible quality of care (right care, right time, right setting). Our corporate resource team provides the tools and training that helps our caregivers follow best practices as shown through evidence-based medicine. Significant and sustained progress has been the result.
- **Service** – We dedicate ourselves to exceeding the expectations of all we serve, and achieving continuously high customer satisfaction feedback.
- **People** – We are committed to collaborating with all constituents, empowering those who deliver the care and those who lead the people and processes. Our decentralized operations model allows our local leaders to do what they do best, while relying on corporate staff for resources, support and counsel.
- **Growth** – With solid financial strength, we provide the resources that enable our hospitals to purchase new technologies, add services and recruit physicians to broaden the scope and quality of care; strengthening our relationships with physicians, recruiting strategically to meet community needs, and partnering to align incentives.
- **Finance** – Together, we are focused on being good stewards of all we have, of leveraging our experience, shared wisdom and size to identify best practices and create efficiencies.

To hear Capella Healthcare's President and CEO Mike Wiechart talk about the five pillars as he welcomes a new hospital to the Capella family, visit this section of our website: [www.CapellaHealthcare.com/mission-vision](http://www.CapellaHealthcare.com/mission-vision)



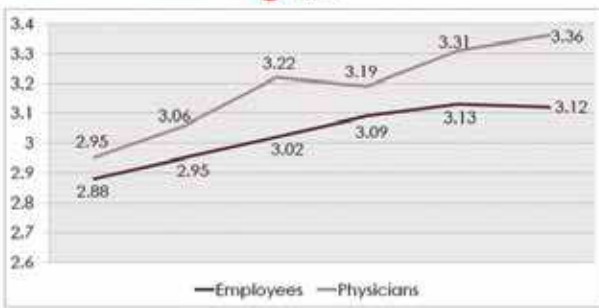
## KEY PRIORITIES: RESOURCES AND STRATEGIES THAT ENABLE ACHIEVEMENT IN OUR FIVE PILLARS

### I. QUALITY: Providing the Highest Quality of Care

Enabling our hospitals to provide the highest possible quality of care is our goal. Capella has a seasoned team of experts whose primary focus is on quality indicators and outcomes, as well as patient safety and clinical risk management for each of our affiliated hospitals.

- **Corporate Clinical Resources** - Each hospital has a Chief Quality Officer who – supported by the corporate resource team – works collaboratively with staff to provide direction with a particular focus on: clinical outcomes measurement, Core Measures, HCAHPS, evidence-based practice standards, patient safety/risk, regulatory/accreditation compliance, clinical resource management and education/training resources. Our corporate leaders are involved in quality initiatives at national and state levels as well as within professional organizations, as are many of our hospital leaders.
- **Culture of Patient Safety** - Capella is committed to sustaining a culture of patient safety. Each hospital has a Patient Safety Officer with oversight through the hospital’s Safety Committee. A hospital-wide risk assessment is completed annually, with a priority grid established based on results. Capella hospitals are constantly monitoring and proactively mitigating risks associated with “never events” to safeguard our patients and employees. Multi-disciplinary teams focus on fall reduction, medication safety outcomes, pressure ulcer and hospital-acquired infections reduction for Target Zero.

SAFE CARE: How would you rate this hospital’s efforts by administration to provide safe, error-free care?



Scale is 1-4 with 1 being “strongly disagree” and 4 being “strongly agree”

Engaging employees and physicians in improving quality and safety is vital to success. The trend chart (left) shows results from six years of HealthStream physician and employee satisfaction surveys, and vividly demonstrate Capella’s success in this area.

- **Clinical Focus Areas** – Task forces and clinical process initiatives across the Capella family of hospitals include: Quality Management, Clinical Resource Management, Emergency Department Work Groups, OB high-risk competencies/Association of Women’s Health, Obstetric and Neonatal Nurses, Infection Control, pressure ulcer prevention (a national project) and concurrent process for Core Measures outcomes. Capella is proud

### Capella Core Measures Trended Results

	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Nat’ Avg 4/12-3/13
AMI	97.4	93.9	97.4	98.3	98.2	96.7	97.5	97.3	92.0
HF	96.0	94.1	92.3	99.7	99.0	99.1	98.7	97.4	97.0
SCIP	97.6	98.4	98.4	98.9	98.6	98.7	99.4	98.9	98.7
PN	96.5	96.0	95.6	97.1	97.9	97.5	97.6	98	97.3
OP Surg	96.9	98.6	98.9	97.5	97.2	98.8	97.1	98.6	98.1
OP AMI	94.3	96.2	95.9	95.5	97.0	97.6	100	98.7	79.0
IMM/PN	95.0	90.8	92.2	96.0	NA	NA	NA	NA	91.8
FLU	95.2	N/A	N/A	95.2	97.7	NA	NA	96.5	92.0
VTE	N/A	N/A	N/A	85.8	96.0	96.1	94.6	98.3	92.3
STK	N/A	N/A	N/A	94.1	98.0	97.8	95.1	96.6	93.6
Composite/Average:	96.1	95.3	95.8	95.8	97.7	97.8	96.3	97.8	

of the clinical excellence demonstrated by our hospitals. The chart on the left demonstrates our significant and sustained achievements in Core Measures. (See also Exhibit A for a few of the quality awards and recognitions hospitals have recently received.)

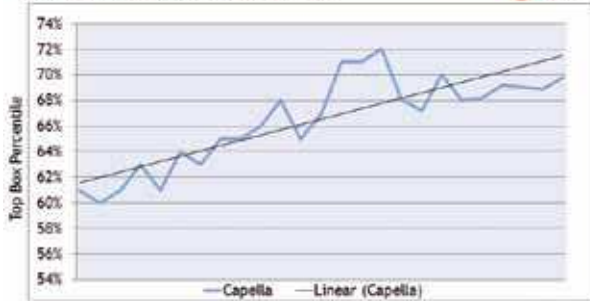


## II. Service: Earning Patient Preference

CMS reports HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) scores as a 12-month rolling period. This means that every period, the most recent three months of data are added to the scores while the earliest three months of data are removed. This type of rolling data minimizes the impact of score differences that could be caused by smaller sample sizes, thereby creating a more balanced trend line.

### INPATIENT CARE

Using any number from 0 to 10, where 0 is the worst hospital possible and 10 is the best hospital possible, what number would you use to rate this hospital during your stay? (Dec 08 - Dec 14)



For the most complete picture of scores, HealthStream Research recommends looking at how scores have changed from one year ago to the current reporting period. Such a comparison provides a reliable annual trend with no overlap between the two periods.

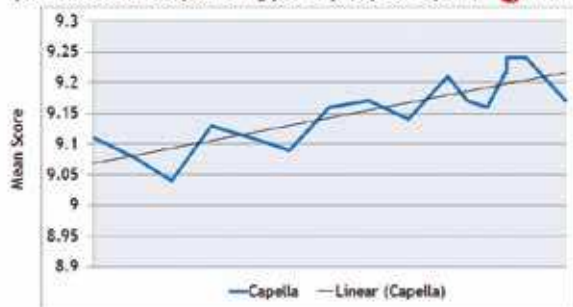
When looking at Capella's family of hospitals, significant and sustained progress can be seen in patient satisfaction in the chart on the left from HealthStream Research. Additionally, in conducting robust comparisons to competitors and similar systems, Capella compares very favorably with our peers.

Significant improvement has also been made in ED patient satisfaction as seen in the trend chart below.

Each of Capella's hospitals has a Chief Patient Experience Officer and an Assistant Patient Experience Officer.

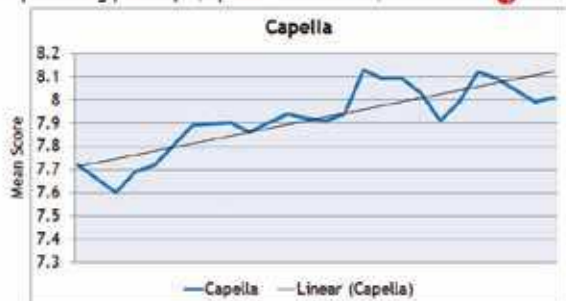
### OUTPATIENT CARE

Using any number from 0 to 10, where 0 is the worst outpatient hospital possible and 10 is the best outpatient hospital possible, what number would you use to rate this hospital during your stay? (Sep 08 - Sept 14)



### EMERGENCY CARE

Using any number from 0 to 10, where 0 is the worst Emergency Department possible and 10 is the best ED possible, what number would you use to rate this hospital during your stay? (September 08 - Dec 14)





Equipping our leaders for success is vital for the achievement of our quality and service priorities. By leveraging our size and common initiatives, Capella is able to secure outstanding pricing to partner with industry-leading companies to provide even more expanded resources to support our hospitals. To equip our leaders, employees, physicians and Board members with the tools and training they need to achieve their quality and service excellence goals, Capella has invested in these additional resources:

- **Studer Group** – The leading national company that works with hospitals to improve patient satisfaction and quality outcomes, the Studer Group provides tools, guidance, training and other resources to help our hospitals with their customer service initiatives. Each hospital has a Champion Leader who is assigned to lead their patient satisfaction efforts in addition to their Chief Quality Officer. *Please see Exhibit B for recent case study.*
- **The Advisory Board Company** – Capella is a member of The Advisory Board, a company which provides research and decision-support guidance on hospital and health system strategy, operations, and clinical management. They offer a host of best practice research, teleconferences, tools and presentations addressing today’s most pressing issues. In addition to the Health Care Advisory Board, our entire family of hospitals has access to all of the training and research available through each of our memberships – Health Care IT Collaborative, HR Advancement Center, Marketing & Planning Leadership Council, Meaningful Use Navigator, Medical Group Strategy Council, Physician Executive Council and Strategy Line Service Advisory. Capella also utilizes the Physician Leadership Academy and the Crimson Clinical Advantage.
- **HealthStream Research** – Capella hospitals aim to exceed the expectations of all of our constituents – patients, physicians and employees. We contract with HealthStream Research to measure constituency satisfaction for all of these stakeholders, as well as to conduct community perception surveys. Our hospitals are expected to achieve HCAHPS outcomes at or above national averages and to be their regional leader.
- **HealthStream Learning** – Capella employees and physicians have access to extensive training and educational programs through HealthStream Learning, a company that focuses in human capital development using online and classroom courses. There are more than 400 electronic courses in all discipline areas available to employees and physicians. We also customize a curriculum for each hospital, based on a needs assessment developed by hospital CNOs, CQOs and Capella’s Chief Clinical Officer.
- **LEAN Healthcare** – In an effort to improve our ED processes and improve ED patient satisfaction, Capella launched a LEAN Healthcare initiative, beginning with targeted emergency departments. Preliminary results include a significant increase in overall patient satisfaction. The next phase of the project includes medical/surgical and intensive care nursing units. *Please see Exhibit C for recent case study.*
- **Sullivan Group Emergency Department Education Modules** – Capella hospital ED nurses and physicians have access to specialized ED education through Sullivan Group, a leading provider of patient safety, risk management, and performance improvement solutions.



### III. PEOPLE: Working Together

Capella is committed to collaborating with all constituents, empowering those who deliver the care and those who lead the people and processes. Our de-centralized operations model allows our local leaders to do what they do best, while relying on corporate staff for resources, support and counsel. Physician engagement is vital to this approach.

#### PHYSICIAN FOCUS

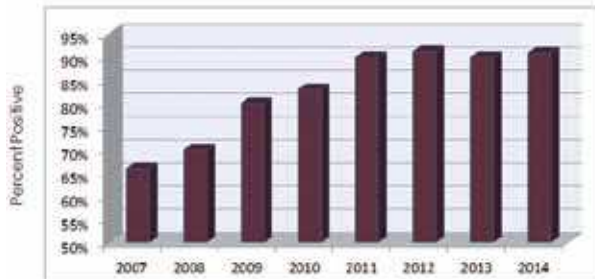
- **PHYSICIAN ENGAGEMENT**

Surveys conducted through HealthStream Research vividly demonstrate how effectively the Capella family is engaging physicians. The trend chart below incorporates eight years of data from Medical Staff Surveys. In fact, two of our hospitals received national awards in 2012 for most improved physician satisfaction.

#### TRENDS OVER TIME

#### PHYSICIANS

Overall, how satisfied are you with THIS hospital?



- **PHYSICIAN LEADERSHIP**

Physicians are integrally involved in providing leadership to the hospitals where they practice. Physicians are a part of each hospital's Board of Trustees, which includes leaders from both the medical staff and community who collaboratively provide guidance and strategic leadership for the hospital's operations.

In addition to traditional Board and medical staff leadership opportunities, each hospital also has a Physician Leadership Group (PLG). With six to 10 members representing a cross-section of its medical staff, the PLG provides input to hospital leadership on all aspects of operations, including strategic development, key initiatives, quality improvement, patient and employee satisfaction and more.

One member from each hospital's PLG is designated to serve on Capella's National Physician Leadership Group (NPLG), bringing the physician perspective to all major decision-making processes that impact the medical staff. Vital in providing guidance and direction for the company as a whole, their foresight and willingness to serve have enhanced our efforts to improve quality and service excellence across the Capella family of hospitals. Their expertise has been essential in elevating our performance to new levels across the company.





One of the most important decisions the National Physician Leadership Group has made was the selection of The Advisory Board's Crimson Clinical Advantage as the tool through which our hospitals would address physician performance improvement. The performance technology platform helps hospitals better manage quality and access across all hospital settings. Not only is the Crimson initiative helping Capella's hospitals and physicians work collaboratively to advance quality goals while delivering the most efficient, compassionate care, it's making care more cost-effective as well. For example, by educating physicians whose patients had longer lengths of stay than patients with similar conditions, EASTAR Health System (Muskogee, OK) may be saving as much as \$680,000 annually. And clinical documentation improvements identified at Saint Mary's Regional Medical Center (Russellville, AR) is estimated to enhance their revenue by almost \$300,000 by more accurately representing the acuity of their patients. These two hospitals' successes were recently showcased at The Advisory Board's Crimson Summit. Crimson is also an excellent tool for identifying opportunities and measuring progress in reducing readmissions. The Crimson initiative is helping Capella's hospitals work collaboratively with physicians to advance quality goals and secure cost savings which will be measured in the millions of dollars.



**Ben Ross, MHA, VP**  
*President – Physician Services*



**Libba Estep, CPA, AVP**  
*Chief Financial Officer  
Physician Services*

• **PHYSICIAN RECRUITMENT**

Capella partners with its hospitals to recruit and retain high quality healthcare practitioners who will raise the level of care provided as well as become integral parts of the communities they serve. Physician recruitment goals have been exceeded in recent years and our retention rate has also been strong with a 95% or greater retention rate.

As part of our ongoing recruitment process, each Capella hospital develops a comprehensive recruitment plan that is updated annually, engaging third-party experts to assist with a Physician Needs Analysis. The results of this analysis are then reviewed by hospital Senior Management, the Board of Trustees and the medical staff for their endorsement.

Our recruitment packages are market competitive and include components such as: income guarantees, relocation assistance, education loan repayment, sign-on bonuses and residency stipends in the final year of school. Regionally competitive salaries, incentive plans and benefit packages are offered and in-house legal support coordinates the entire process to ensure we are very responsive in placing a contract in a qualified physician's hand.

Outstanding support for recruitment efforts is available through the Physician Services Department.

• **PHYSICIAN PRACTICE MANAGEMENT**

Capella recognizes that successful physician integration and practice performance is vital. Our Physician Services Department is fully dedicated to the support of physicians who have chosen an employment model. This includes all of the same corporate support provided to our hospitals (see listing in next section on Operations Support) as well as clinical systems, billing platforms, EMR/EHR deployment, coding compliance, to ensure clinical excellence, productivity analysis and financial stewardship. Outstanding management support is available with an experienced staff.

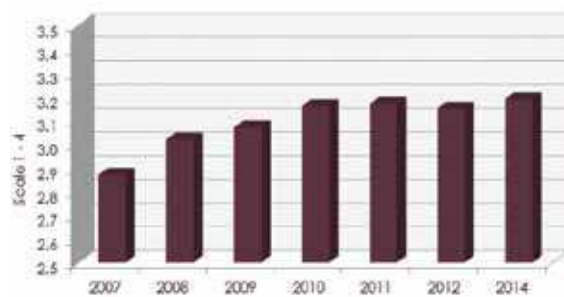


## EMPLOYEE FOCUS

Our hospitals are usually one of the largest employers in the region they serve. Making our hospitals a preferred place to work by achieving high employee satisfaction is a key goal of the hospital's leadership team. The trend chart below, which incorporates seven years of data from employee satisfaction surveys conducted by HealthStream Research, shows the significant progress our hospitals are making. Additionally, one of our hospitals has recently achieved national recognition for its employee satisfaction. Southwestern Medical Center (Lawton, OK) was named by *Becker's Hospital Review* as one of the nation's "100 Best Places to Work in Healthcare" and by *The Oklahoman* as a "Top Workplace" in the state. And another hospital was twice named to Modern Healthcare's "Best Places to Work in Healthcare."

### TRENDS OVER TIME

### EMPLOYEES





*Capella's de-centralized operations model allows local leaders to do what they do best while leveraging our size and collective experiences to create efficiencies and share best practices.*

#### **IV. GROWTH: Operations Support**

Capella's leadership is composed of experienced hospital operators who each have proven track records of operating highly successful hospitals of all sizes – from large tertiary teaching hospitals in metropolitan areas to small community hospitals in rural areas. The senior leaders of Capella collectively have more than 150 years of hospital operations experience in more than 200 hundred hospitals in 30 states. *See Exhibit G to learn more about our Senior Leadership Team.*

Capella's de-centralized operations model allows our local leaders to do what they do best, while relying on corporate staff for resources that enable us to leverage our size and our collective experiences, to create efficiencies and share best practices. By investing in our leadership – empowering those who deliver the care as well as those who lead the people and processes – our success rewards everyone who is a part of the Capella family, and most importantly, means our patients receive the best care possible. Being named among the nation's fastest growing health care companies by *Modern Healthcare* magazine in both 2012 and 2013 was a significant honor that validated our operational effectiveness (*see Exhibit D*).

##### **SUPPORT SERVICES INCLUDE:**

- o Accounting and Internal Audit
- o Business Development & Marketing
  - > Advertising, Public Relations & Web Development
  - > Decision Support Services
  - > In-Market Acquisition Support
  - > Managed Care Contracting
  - > Referral Development
- o Compliance and Ethics
- o Customer Service Training (Patient Satisfaction)
- o Financial Systems & Support
  - > Business Office
  - > Reimbursement Support
  - > Revenue Cycle Systems
  - > Taxation Management
  - > Treasury and Cash Management
- o Human Resources
  - > Benefit Program Management
  - > Talent Management – Recruitment & Retention
  - > Employee Satisfaction
  - > Leadership Development
- o Information Technology & Services
- o Insurance and Risk Management
- o Legal Counsel
- o Materials Management & Purchasing
  - > Capital Investment
- o Medical Records / HIM, Coding & Revenue Integrity
- o Patient Case Management & Resource Utilization
- o Physician Practice Management & Marketing
- o Quality Standards & Monitoring
  - > Accreditation Support
- o Recruitment of Physicians and Hospital Clinicians



Each Capella hospital benefits from the experienced resources available through our Operations Resource Team and vendor partners. Following are details on several vital areas.

### **Compliance and Ethics**

The healthcare industry is possibly the single most regulated industry in the nation. Almost every healthcare activity, from dispensing drugs to serving meals to billing for services, is covered by laws and regulations at the city, county, state and/or federal level. In addition, our industry must adhere to standards set forth by numerous licensing and accrediting bodies, such as The Joint Commission (TJC) and the Centers for Medicaid and Medicare Services (CMS).

Capella's Ethics and Compliance Program helps our hospitals navigate the complex environment of laws and regulations so that it is easier to focus on their key priority: providing the highest quality of healthcare. This is why we maintain a strong Ethics and Compliance program that is both comprehensive in scope and educational in nature. Capella works closely with each hospital to make certain all our resources and training relative to governmental compliance and ethical conduct are in place. Our program is detailed with clear expectations for every employee, volunteer and physician as well as other affiliated Workforce members.

### **Information Technology & Services**

Led by a Physician Advisory Group, Capella embarked on a clinical transformation in 2011. As a result of outstanding leadership and hospital teamwork, all of Capella's hospitals were able to successfully attest for Meaningful Use Stage 1 on time and below budget. Because of our innovative approach, each hospital deployed a high quality IT system at a fraction of what stand-alone organizations would have had to pay. To hear Dr. David Siepmann, Chair of the PAG, discuss physician leadership for this clinical journey – and the impact of technology on quality care – visit this section of our website to hear an interview with Dr. Siepmann: [www.CapellaHealthcare.com/physician-leadership](http://www.CapellaHealthcare.com/physician-leadership)

- **Meaningful Use/IT Platform (MEDITECH Version 6.0 or MEDHOST) deployment** – Given our purchasing power as an IT partner with HealthTrust/HPG, we are able to implement new hospital IT platforms to meet Meaningful Use requirements at a lower price point than most providers and at significant savings for independent hospitals.
- **Electronic Medical Records (EMR) System** – Capella made the strategic decision to partner with athenahealth to provide EMRs for our employed practices as well as “favored” pricing to affiliated medical staff members. See our website for more information.

### **Marketing, Community Relations and Business Development**

A variety of resources are available to assist hospitals and employed physician practices in planning and implementing strategic marketing campaigns, focused on increasing volumes and market share for their organization. From community perception surveys and crisis management to website development, Social Media, and turnkey product line campaigns, resources are available to help hospitals determine the most effective ways to invest in – and measure effectiveness of – their marketing and PR initiatives.



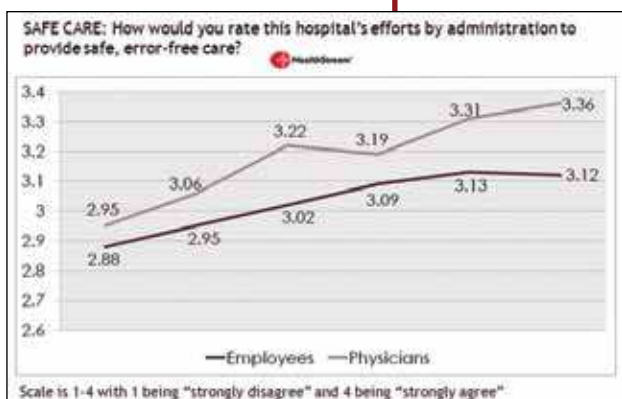


### Materials Management & Purchasing

Our affiliation with HealthTrust Purchasing Group (HPG), serving nearly 1,400 participating not-for-profit and for-profit acute care hospitals ([www.healthtrustcorp.com](http://www.healthtrustcorp.com)), allows us to earn the largest discounts on supplies in the industry (savings consistently better than any other purchasing alliance by 7 to 12 percent). Additionally, our in-house team actively assists hospitals to ensure financial resources are deployed effectively and at the lowest price. Because cost-effective care is essential and healthcare resources are limited, spending every dollar as wisely as possible is a core strategy for Capella and our family of hospitals.

### Revenue Cycle

We use a centralized shared service for billing and collections to provide best practice support for revenue cycle management, contract modeling and collection metrics. These vendor partners and our corporate resources help to optimize performance resulting in improved cash flow for our family of facilities.



*Investments in key resources and initiatives assure employees and physicians that providing the highest quality care is the priority. This trend report indicates how perceptions have changed over five years.*





#### **IV. FINANCE: Strength and Investment**

When you choose a strategic partner for your health system, the financial strength of that organization is a key consideration in your decision. In order for your hospital to succeed in the future, you must ensure that your partner can deliver on its commitments. By choosing a partner that has ample access to capital and a proven track record of investing in its hospitals, you can trust that your hospital will provide quality healthcare in your community for years to come.

Staying on the cutting edge of medicine is essential for any hospital seeking to remain competitive. Unfortunately, the high cost of technology prohibits many hospitals from keeping up with the latest advances. In addition, the investment in expanding healthcare services for many hospitals can be very expensive and difficult to achieve.

Capella Healthcare possesses the track record of commitments kept and the financial strength that empowers hospitals with the ability to expand services, add new facilities, recruit needed physicians, and secure the latest medical technology. Through our 2015 partnership with Medical Properties Trust, Inc., we will continue to have access to attractive capital long-term to invest in our hospitals and health systems to provide them with the ability to accomplish their mission of providing quality healthcare to their communities.

*For recent investments in our communities, see Exhibits E and F.*

#### **New Revenues for the Community**

In 2014, the Capella family of hospitals paid more than \$15 million in taxes – property, sales and other taxes – that are helping to support their local communities and states, including schools, road development, and recruitment of new business and industry. In fact, our hospitals are often the single largest tax payer, as well as employer, in the regions they serve.

Our hospitals also invest millions to recruit new physicians in needed specialties, bringing new services and primary care providers to their communities. And, they gave millions in dollars, supplies and staff time to support their community's charitable organizations, schools, Chambers of Commerce, and economic development initiatives. Not only are they caring for the health of their citizens, they're improving the health of their communities.

*To learn more, check out our latest Community Benefit Reports in the "For Patients & Public" section of Capella's website.*

#### **Liability Coverage**

Capella owns its own captive insurance company providing general and professional liability coverage at rates that are below what the open market commands from individual freestanding facilities.

## **IV. FINANCE: Strength and Investment – continued**

### **Setting the Record Straight**

A new study published in the Journal of the American Medical Association (JAMA) sets the record straight on the issue of for-profit hospital conversions, dispelling myths about the impact of these efforts to maintain access to care in communities with struggling hospitals. In the study “Association Between Hospital Conversions to For-Profit Status and Clinical and Economic Outcomes,” analysis of data from for-profit hospital conversions shows that these hospitals maintain access to care, improve quality metrics, increase nurse staffing ratios, and, the study concludes, improve financial performance.

The study measured hospital performance by three factors: financial performance, quality of care and outcomes and measures of patient population.

*To learn more, visit “Partnership Opportunities” on our website.*



## SUMMARY OF VALUE PROPOSITION

### Why Capella?

Capella Healthcare's decentralized operations model allows local leaders to do what they do best while leveraging our size and collective experiences to create efficiencies and share best practices. Our unwavering commitment to providing the highest quality of care, increasing constituency satisfaction, collaborating with all stakeholders, and keeping healthcare affordable and accessible make Capella Healthcare a compelling partner.

Capella Healthcare is honored to be the primary steward for healthcare in most of the communities we serve. We understand that with great privilege comes great responsibility. In communities we serve, we are honored to:



- Preserve and protect your hospital's rich history of care
- Provide compassionate care for all patients, regardless of ability to pay
- Collaborate fully with all key stakeholders including the Board, medical staff, employees, volunteers, patients and the community
- Maintain all core hospital services and accreditations, including The Joint Commission
- Commit to invest significant capital dollars
- Invest effectively – and collaboratively with the medical staff – in physician recruitment
- Enhance the community tax base
- Be an engaged community leader and strong corporate citizen
- Assure a high quality professional work environment
- Provide the leadership and training needed to challenge employees and physicians while increasing satisfaction
- Work with all local constituents to build an even stronger health system

Our future holds many challenges. With Capella Healthcare – and our family of hospitals – your community's hospital can approach the future with assurance, strength and security. We will continue your rich legacy of care, compassion and dedication to serving all in need.

To learn more, visit our website at: [www.CapellaHealthcare.com](http://www.CapellaHealthcare.com)

See the Partnership Opportunities section of our website for video interviews with physicians and Board leaders, as well as to read a number of our Success Stories.

You can also connect with us on:

Twitter | YouTube | LinkedIn



## EXHIBIT A



### Recent Quality & Service Recognition

#### WILLAMETTE VALLEY MEDICAL CENTER (MCMINNVILLE, OR)

- Named to The Joint Commission's "Top Performers" listing in 2011-2014, recognized for outstanding key quality measure performance. One of just 147 hospitals to achieve this for four consecutive years
- Named one of the iVantage Health Analytics® HealthStrong™ Hospitals in 2013 and 2014
- Top-performing hospital in Oregon relative to pay-for-performance in 2013
- First hospital in state of Oregon to add 3D mammography (breast tomography) technology (2011)

#### SOUTHWESTERN MEDICAL CENTER (LAWTON, OK)

- Named by *The Oklahoman* newspaper as a "Top Workplace in the State" (2013 and 2014). Named to *Becker's Hospital Review's* top 100 "Greatest Places to Work in Healthcare" list (2013)
- First hospital in SW Oklahoma to receive TJC Stroke Certification
- Recognized by TJC for significant improvements for SCIP-Card-2; invited to participate in pilot Core Measure Solutions Exchange (2010)

#### NATIONAL PARK MEDICAL CENTER (HOT SPRINGS, AR)

- Recognized as top fund-raiser for the American Cancer Society's Relay for Life in the Central Arkansas Region; named "Business of the Year" (2015)
- First hospital in state of Arkansas to add Airstrip OB Technology
- HealthStream "Excellence Through Insight" Award for "Most Improved Overall Outpatient Satisfaction" (2012, medium hospital category)

#### SAINT MARY'S REGIONAL MEDICAL CENTER (RUSSELLVILLE, AR)

- Leapfrog "A" Safety Rating, one of two hospitals in Arkansas in Fall '14 and one of four in Spring '13
- Named "Top Performer" by The Joint Commission (2014)
- Ranked the #1 hospital in Arkansas for Women's Health, CareChex (the rating service of the Delta Group); also ranked in Top 100 in the country for Women's Health (2012)
- HealthStream "Excellence Through Insight" award in category of "Overall Physician Satisfaction" recognizing most improved scores, medium hospital category (2012)

#### EASTAR HEALTH SYSTEM (MUSKOGEE, OK)

- Named "Business of the Year" for the region (2015)
- Recipient of the C.T. Thompson, M.D. Award for Excellence in Trauma Care, given annually by Saint Francis Hospital Trauma Institute, Tulsa, to organizations or individuals whose contributions to patient care exemplify trauma care at its best (2013)
- HealthStream "Excellence Through Insight" award in category of "Overall Physician Satisfaction" recognizing most improved scores, large hospital category (2012)

#### CAPITAL MEDICAL CENTER (OLYMPIA, WA)

- Earned The Joint Commission's Gold Seal of Approval® for three disease-specific programs, recognizing achievements in hip replacement, knee replacement and spine surgery. The surveyor awarded Capital a perfect score, with no recommendations for improvement.
- Named by *US News & World Report* as a "High Performer" in knee and hip replacement surgeries ("Best Hospitals for Common Care" analysis).



## SUCCESS STORIES

### SOUTHWESTERN MEDICAL CENTER

LAWTON, OKLAHOMA



*“Capella is a great management and capital partner,” says CEO Steve Hyde (left). “The management expertise within Capella has really served us well navigating the ever-changing environment. From a capital perspective, we have received great support as we have identified opportunities and then received the funds to execute on the projects. I also like the fact that Capella is a smaller company and there is less bureaucracy than in some larger organizations. I appreciate that Capella is focused on supporting and growing great hospitals and not focused on simply growing the corporate staff at the expense of the local facilities.”*

EMPLOYEES AND PHYSICIANS ENJOY SERVING OTHERS AT SWMC

### One of the nation’s best places to work in healthcare

Southwestern Medical Center in Lawton, Oklahoma, has made remarkable strides since joining the Capella Healthcare family of hospitals as one of its four legacy hospitals in 2005. Celebrating its 107th year of service to the community in 2015, SWMC is a two-campus hospital, with one facility dedicated to caring for psychiatric patients.

In 2013, the hospital received Capella Healthcare’s top honor – The Star Award. The award is presented to the hospital that has excelled in all five of the company’s operational pillars: Quality, Service, People, Growth and Finance.

In terms of quality, SWMC is the first and only Joint Commission Certified Primary Stroke Center in Southwest Oklahoma. They’ve also earned five consecutive accreditations from CARF (Commission on Accreditation of Rehabilitation Facilities). And, they’ve made steady and sustained progress on Core Measures.

In patient satisfaction, they’ve made strides in every area. Emergency patients, in fact, would strongly recommend the ED to their family and friends, according to recent surveys, rating the hospital significantly higher on this question than the average hospital (HealthStream database 61% vs. SWMC 72%). But there’s still significant room for progress, and they are working hard.

With physician satisfaction, SWMC had a very impressive 94% response rate in 2013 to the medical staff survey. And, they’ve moved from the 3rd to the 53rd percentile ranking for overall satisfaction in four years with an “overall positive satisfaction” rating of 96%.

In the areas of growth and finance, this hospital has experienced significant growth in recent years, and in fact, received Capella’s award for highest EBITDA achievement in two of the last three years. Recently, they’ve grown even more, thanks to the purchase of two freestanding Imaging Centers and the opening of a new Surgery Center in the fall of 2014.





Southwestern Medical Center opened a new \$4.5 million, 10,000 square-foot ambulatory Surgery Center in the fall of 2014.

*This is a team that knows how to have fun (and realizes that having fun makes an important message stick). Training on best practices such as hourly rounding and AIDET has played a vital role in the improvement of their patient satisfaction scores.*

*“We strive to be as transparent as possible in our leadership style,” says CEO Steve Hyde. “We focus on teamwork and the importance that each and everyone has in delivering great care. We candidly talk about the good, the bad and even the ugly so that we are clear on our opportunities. And we believe that healthcare is fundamentally a team sport.”*

But, in the People Pillar, this hospital has truly excelled. Even while converting to a new electronic health record system and making great strides in quality and satisfaction, Southwestern has significantly improved employee satisfaction. Since 2010 – when their current CEO Steve Hyde took over – they’ve moved from the 18th to the 77th percentile for overall satisfaction. Perhaps most impressively, they’ve received numerous “best workplace” honors, including being named by *Becker’s Hospital Review* as one of the nation’s “100 Best Places to Work in Healthcare” (2013) and by *The Oklahoman* as a “Top Workplace” in the state (2013, 2014).



SWMC is very active in the community, sponsoring an annual Wellness Expo with the Chamber of Commerce, offering free annual sports screenings for high school athletes, and hosting a Fitness competition and Road Race – the Southwest Scorcher – to raise money for the Wounded Warrior program at Fort Sill. Additionally, they host the Pride Gallery, showcasing the works of local artists at the hospital.

Recognized by patients for their quality care, by the community for their service, and nationally as an outstanding place to work, SWMC is truly one of the nation’s great hospitals.



## EMBRACING “LEAN HEALTHCARE” IMPROVES PATIENT AND EMPLOYEE SATISFACTION

It’s about the relentless pursuit of perfection.

It means adding value to every action, every movement, every investment of time or energy or dollars

It’s called Lean Healthcare, and it’s an initiative that’s being embraced by Capella Healthcare as well as other innovative healthcare organizations. The ultimate goal? Improving care and standardizing processes while enhancing satisfaction for patients. The fringe benefit? Happier staff members, too.



*EASTAR’s ED, a Level 3 Trauma Center and Primary Stroke Center, treats approximately 30,000 patients a year.*

Capella began its Lean initiative in January 2011 in Muskogee, Oklahoma with a pilot project at the largest of its facilities – 275-bed EASTAR Health System.

“Since the hospital started the initiative in their Emergency Department (ED), they have experienced several positive results, including improved patient satisfaction,” said Mike Wiechart, now CEO at Capella. “They’ve been able to reduce the patient’s overall length of stay in the ED by 10-15% while increasing the amount of time that physicians and clinicians spend with the patients.”

According to the hospital’s CEO, the delivery of care was complicated by an outdated facility. The physical facility had a wall at the nurses’ station that put caregivers out of sight and put extra – unnecessary – steps between patients’ rooms and the nursing station. Because of the Lean Healthcare pilot project, the hospital invested \$1.2 million to renovate the Emergency Department, making it easier for staff to deliver care and interact with patients. The wall was removed, the nursing station opened up, and supplies placed at the patients’ bedsides. Patient rooms have been grouped together to create pods and nurses are stationed right outside.

What does the staff think about this? “Nurses actually volunteered to take the wall down with a sledge hammer,” said the nurse manager. “It’s important to know that you don’t always have to remodel or change things, but we are because it makes sense. We wanted to put everything the patient could need with the patient, closer to the bedside. It saves time for our patients and steps for our nurses.”

In addition to happier patients, employee satisfaction has increased as the staff has been empowered to make changes. “We’ve gone from multiple vacancies to having none. It’s the first time since I’ve been here that we have no open positions.”

### What’s Next?

Capella is currently launching the Lean initiative at other facilities. “Capella already has twelve staff members between its hospitals and corporate office who have graduate-level certification in Lean Healthcare, including ED physicians and nurse managers,” Wiechart



said. “Following these pilots, we’ll be rolling the initiative out to all of our facilities, starting in the Emergency Departments.

“Everybody thinks of Lean Healthcare first as a cost reduction initiative, but for Capella it is a growth strategy, designed to increase patient satisfaction. We are focusing first on our Emergency Departments because they are the front doors of our hospitals since 60–65% of our patients come to us through the ED. It is the most meaningful way to have a significant impact on overall satisfaction and community perception, and it makes sense we focus there first. By piloting the initiative first at one of our most complex facilities, we’re benefitting all of our facilities by sharing their lessons learned and best practices.

“At Muskogee, the process has been expanded to the inpatient medical unit and the staff has created several specific multidisciplinary work teams to address other opportunities that have identified. And that’s exactly what this process is designed to do: empower the staff, and in particular the caregivers, to better manage the numerous steps involved in providing the very best care and patient experience possible. As we enhance the patient’s overall experience, improve quality of care, and make it easier for our staff to provide care, more people will choose to come to us for care.”

“The overarching goals with any healthcare initiative must be improved patient care and satisfaction. By investing in resources that help our staff meet the needs of our patients by providing efficient, quality care in a timely fashion, we are positioning ourselves to succeed in the new era of healthcare reform.”



*EASTAR Health System’s trauma team received the C.T.Thompson, M.D. Award for Excellence in Trauma Care in 2013, given annually by Saint Francis Hospital Trauma Institute, Tulsa, to organizations or individuals whose contributions to patient care exemplify trauma care at its best.*





## CAPELLA HEALTHCARE NAMED AGAIN TO “HEALTHCARE’S HOTTEST” BY MODERN HEALTHCARE

*Award Recognizes the Fastest Growing U.S. Healthcare Companies*

FRANKLIN, TN. August 9, 2013. For the second consecutive year, Capella Healthcare has been named to Modern Healthcare’s list of fastest-growing healthcare companies as part of the magazine’s “Healthcare’s Hottest” recognition program. The program recognizes the 40 fastest-growing healthcare companies that are headquartered in the U.S., had at least \$20 million in revenue for 2012, and have been in business for five years or more.

Capella was one of just four health systems/hospitals on the list of 40 this year, and one of 13 companies to make the list both years. Last year was the first year of the recognition program.

“Since we founded Capella in 2005, we’ve worked with our hospitals, physicians and community leadership to grow smartly and deliberately,” said Dan Slipkovich, Founder and Executive Board Chair of Capella. “In addition to growing through acquisitions and partnerships, we’ve grown by expanding our services and growing market share in communities we currently serve through targeted investments and physician recruitment.”

“It’s a great compliment to our entire family of colleagues to be named for the second consecutive year to Modern Healthcare’s list of fastest-growing health care companies,” said Mike Wiechart, President and CEO of Capella. “We believe it is a reflection of the hard work and dedication of our thousands of employees and affiliated physicians across the nation. It certainly also validates the success of our strategy and our operating philosophy.”

Capella continues to grow through acquisitions and innovative partnerships with other healthcare providers in the communities it serves. In Tennessee, Capella engaged in an innovative joint venture with Saint Thomas Health, a part of Ascension Health, a Catholic Ministry that is the largest non-profit health system in the US. Together, through a joint venture, they operate four hospitals in Middle Tennessee.

In 2012, Capella added four new properties during in-market transactions, including Muskogee Community Hospital in Oklahoma. Together with Capella’s Muskogee Regional Medical Center, the two have formed a comprehensive health system – now named EASTAR Health System – to better serve residents throughout eastern Oklahoma.

“We continually seek partners who recognize, as we do, that the future of healthcare is all about collaboration and innovation,” said Slipkovich.

The 2013 Healthcare’s Hottest program identified recognized companies in the following sectors: hospitals/hospital systems, physician group practices, payers/insurers, and suppliers. For more information and the full list of 40 companies, visit “Healthcare’s Hottest”.

### **About Modern Healthcare**

Modern Healthcare is the industry’s most trusted, credible and relied-upon news source. Modern Healthcare examines the most pressing healthcare issues and provides executives with the information they need to make the most informed business decisions and lead their organizations to success. It’s for this reason Modern Healthcare is deemed a “must-read publication” by the who’s who in healthcare.



## OPENING THE DOORS FOR MORE COMPLETE CARE

*from The Courier, March 2, 2014*

The new Millard–Henry Clinic opens its door today, and there is cause for celebration. A brand new, multi-million dollar facility, it is home to 28 clinical practices and is one of Arkansas’ largest clinics, both in terms of staff and facility size.



“This building represents a strong commitment to the people of the River Valley region. When we open the doors to the new Millard–Henry Clinic, we’re opening the doors to more complete care – more physicians, more specialties, more appointments, more timely care – more access to the kind of care our community deserves,” said Donnie Frederic, CEO, Saint Mary’s Regional Health System,

“This building also represents a strong commitment to the economic future of our community. Because we can provide more complete care to our entire region – friends, families and neighbors

will no longer have to travel for the care they want and need. That translates not only to better care, but better schools, better roads, better employment and growth opportunities. More complete care means better health for the people of the River Valley.”

During the groundbreaking ceremony in December 2012, Dr. Keith Ison, current president of the Millard–Henry Clinic executive committee, said the new clinic initiative came after an intensive, targeted three-year effort that included input from clinic physicians and corporate leadership. Financed through partner Summit Bank (now Bank of the Ozarks), the year-long project was overseen by Russellville-based EWI Construction. The project was a clear investment in our region that provided local jobs in tough economic times.

The new Millard–Henry Clinic is a three-story, 47,000-square-foot steel structure that features a glass, stucco and brick facade. It sits slightly southeast of the existing 1970 structure and just east of the Millard–Henry Clinic Obstetrics & Gynecology Services.

The new building has a large portico specifically designed to make drop-off and pick-up easier for patients. Appointed with large central waiting areas and an elevator for convenience, the state-of-the-art facility houses the clinic’s pediatrics, internal medicine, family practice, orthopedics and general surgery, as well as advanced laboratory and radiology services.

Millard–Henry Clinic physicians anticipate that the clinic will enable them to provide more complete care to patients. They see several core components impacted by this health-care investment in the Arkansas River Valley.



“We want to provide state-of-the art medical care – care so complete that you would not have to go anywhere else to get better care in a nicer facility,” said Dr. Vickie Henderson, a gynecologist/obstetrician and past president of the Millard-Henry Clinic executive committee.

### More physicians

“With the new Millard-Henry Clinic, we have had aggressive recruiting efforts that have been award-winning. As a result, we have some top-notch new primary care physicians. This effort will promote wellness in our community as well as allow us to provide more care for patients when they are sick,” Henderson said.

“I think Millard Henry Clinic is unique – one building holding many doctors who treat all stages of life. With this new building, we’re able to expand and add two new physicians to our pediatric group. It just provides comprehensive care for the whole family,” Dr. Christina Bartlett, pediatrician, said.

### More service and convenience

Efficient design, including the wise use of technology and improved workflow, was critical to the facility’s new design. Every aspect of location, from the cashier’s office to departmental placement, is designed around the primary goal of enhancing the patient’s healthcare experience and the physician’s ability to provide even greater care.

“With larger elevators, bigger waiting rooms ... I think it’s going to be more convenient for the patient and the patient’s family. It will mean greater comfort and just a better overall experience,” Dr. Robin Kirby, pediatrician, said.

Another pediatrician, Dr. Rick Hamson, concurred. “Having this new facility allows us to have on-the-spot consults with some of our partners. It’ll make it easier for the patients and it’ll really bring cohesiveness to our department.”

Because the surgery department (previously housed with Millard-Henry Clinic Gynecology and Obstetrics Services) relocated to the new building, Millard-Henry’s women’s services benefit as well.

“The new Millard-Henry Clinic facility is significantly larger than our prior facility. Our Ob-Gyn clinic is now exclusively devoted to women’s healthcare, which I think will make our patients very comfortable when they come for their visits,” Dr. David Nelson, gynecologist/obstetrician, said.

“The additional space in the new Millard-Henry Clinic provides greater access for care across the region,” Tim Whetstone, executive director of clinical operations, said. “We have more providers, more availability to see our patients each and every day. We are very pleased that this new facility, with all its innovations, provides something that is much needed at this time.”

More physicians, more service, and more convenience are available now at Millard-Henry. The new clinic is now operational, as all practices have moved into their offices.

To make an appointment or learn more about the physicians at Millard-Henry, visit [saintmarysregional.com](http://saintmarysregional.com) or [millardhenry.com](http://millardhenry.com), or call 968-2345.



## NPMC BREAKS GROUND ON EXPANSION PROJECT – 67,000 SQUARE FOOT ADDITION TO INCLUDE 22-BED ER AND HEART CENTER OF EXCELLENCE

*from The Hot Springs Sentinel Record, November 24, 2014*

National Park Medical Center broke ground Tuesday, November 18, on a 67,000-square-foot expansion project that will create a standalone heart and vascular center of excellence and renovate and provide additional space for the existing emergency department.

The new facility will be built immediately west of the current hospital on about 9 acres of land situated between Hollywood Avenue and the Hot Springs Country Club golf course.



Jerry Mabry, president of Capella Healthcare’s Arkansas Market, said prior to the groundbreaking that plans for the expansion have been in the works for about two years and the groundbreaking is a “notable occasion for us.”

“The expansion will provide folks with immediate, greater access to an excellent cardiology program. In fact, I feel it’s the best cardiology program in this region,” he said, noting that the hospital is not only a major economic contributor to the county and surrounding areas, but also contributes to the excellence in the health care delivery system that it has developed over the years.

The initial expansion will cost \$25–26 million, Mabry said, but adjunct plans that include annual capital investments will push the investment even higher over a three-year period.

While the expansion won’t increase the number of beds from the present 166, it will specialize those beds, especially in the area of cardiology, Mabry said.

Mandy Golleher, director of marketing and volunteer services, said the project will double the capacity of the existing emergency department and add a stand-alone cardiology center of excellence featuring the latest heart care technology in one location for all the hospital’s advanced heart care services.

Mabry told the crowd assembled for the occasion that, aside from the economic factors the facility will provide, “this is where excellence will be housed.”

“We have a large compliment of specialists, physicians, and hospital personnel who dedicate their lives to being better and providing better care for you and the public. This facility is what health care is about — the way we conduct ourselves with our funds, being good stewards of how we approach the health care delivery system, about making life better for you and your children,” he said.

Mabry said the policy of Franklin, Tenn.-based Capella Healthcare, the hospital’s parent company, is to reinvest 100 percent of its excess cash flow back into its hospitals in the form of equipment and expansions, which ultimately builds better health care for the community.

Joe Dierks, chairman of the NPMC Board of Directors and CEO of Greenleaf Financial, said the hospital’s leadership team, physicians, staff and board of directors have committed to continuously increasing the health care services and specialists available in the Hot Springs area.



“Having served on the board for many years, I’m proud of the progress and improvements National Park Medical Center continues to make in the health care climate of Hot Springs. I’m proud to be part of that commitment and honored to be part of the groundbreaking on the next phase of growth for NPMC,” he said.

He said Tuesday marked the beginning of the construction phase of the expansion project, which will ultimately mean more and better health care services available to the community, more jobs available to area residents and more financial stimulus to the area by making more services available.

“For those of you who have had the opportunity to have received care at this hospital, you know they live their slogan, ‘Caring Comes First, Always.’ The level of individualized care and dedication to each individual patient’s well-being really sets this facility apart. They always put the patient first and that’s why this expansion is so important,” Dierks said.

By streamlining the emergency department and making all the health center services located in one convenient location, the patient experience will be even more improved, making the care process even better for the patient, he said.

“I congratulate the team at NPMC on the construction progress and I look forward to the continued growth at NPMC for the betterment of the Hot Springs area,” he said.

General surgeon and NPMC Chief of Staff Robert Breving said it was “exciting being part of the NPMC family.”

“We’re doing great things here and today breaking ground on a beautiful, state-of-the-art expansion, which will provide additional medical services to a community, add new and advanced state-of-the-art technology, decrease patient suffering and save more lives,” he said.

Other reasons to celebrate is that the expansion will create new clinical and nonclinical jobs for local residents, employ Arkansas construction companies, and increase the revenue to the local tax base, Breving said.

“We are expanding while other hospitals are laying off employees, reducing services and closing their doors. We’re adding on to our facility, recruiting new physicians, and creating jobs for Arkansans, all while maintaining profitability,” he said.

“There is nothing that makes my blood pump a little faster than seeing a bulldozer sitting here ready to go, and gold shovels ready to go in the ground,” said Jim Fram, president and CEO of The Greater Hot Springs Chamber of Commerce.

Fram said health care is one of the targeted industries the chamber works to bring into the community, and “we’re very proud today to celebrate this expansion by National Park Medical Center.”

“In addition to being a target industry we try to recruit jobs from and create new capital investment in our community, they continue to be one of Hot Springs’ and Garland County’s and the region’s major employers. This institution provides a lot of folks who use their volunteer time to be leaders in our community to make it better,” Fram said.





## EXECUTIVE MANAGEMENT

### **Michael "Mike" Wiechart**

*President and Chief Executive Officer*

Mike was appointed to the role of President and Chief Executive Officer in January 2014 after having served as Senior Vice President and Chief Operating Officer from 2009-2013. As COO, Mike had responsibility for hospital operations, quality improvement, supply chain, revenue cycle, managed care operations, and labor productivity initiatives as well as having significant involvement in merger and acquisition activities.

Mike's career in healthcare began in 1989 with the role of Controller for a hospital in Statesville, North Carolina. Later, he served as CFO at various facilities for HCA, which culminated in his being named CFO for the Chattanooga Market and then the Cumberland Division. In 1998, he became Vice President of Operations for Province Healthcare, where he oversaw financial operations for 11 hospitals before moving to LifePoint in 1999 as a founding member. As Senior Vice President & Group President for LifePoint, he led two operating divisions with 24 hospitals.

Mike is a graduate of the Nashville Health Care Council's 2014 Fellows Class. He serves on the Board of Governors for the Federation of American Hospitals, which represents over 1,100 hospitals, as well as on the organization's Rural Hospital Committee.

Mike earned his bachelor's degree in accounting from the University of Kentucky and is a Certified Public Accountant (inactive). He has also earned a Lean Healthcare certificate from the University of Tennessee at Knoxville.

His civic activities have included serving on the Boards for Big Brother Big Sister organizations in two states as well as volunteering with the United Way. He is currently Chairman of the Board of Directors for the United Way of Williamson County. Mike and his wife, Lisa, have two daughters.



### **Gary D. Willis, CPA**

*Executive Vice President, Chief Financial Officer*

Gary D. Willis joined Capella in 2015 as Executive Vice President and Chief Financial Officer. He came to Capella from Martin Ventures where he has been CFO. As CFO, he oversaw all financial aspects of the investment firm which focuses on equity and debt investments in young, high growth businesses, primarily in healthcare and technology. He also mentored management teams of portfolio companies regarding strategy, capital structure and operational issues.

Previously he served as Senior Vice President and Chief Accounting Officer for Vanguard Health Systems for six years, and prior to that, he held a similar role at LifePoint Health for six years. Before his work in health care, Gary was affiliated with Gaylord Entertainment Company, where he was Vice President, Controller and Chief Accounting Officer.

A Certified Public Accountant, Gary earned his bachelor's degree in accounting from Western Kentucky University.

Residents of Brentwood, Gary and his wife, Shelly, have two daughters.





**Andrew “Andy” Slusser**

*Executive Vice President, Chief Development Officer*

Andy serves as Executive Vice President, Chief Development Officer, and is a founding member of the executive team of the company. He has over 28 years of hospital operations, corporate finance and development experience. He leads the Company’s efforts to partner with local communities to improve healthcare services by delivering more capital to expand services, recruit more physicians to serve the community and provide a new tax base to the local governments.

Andy previously served as the Vice President of Acquisitions and Development for Province Healthcare. In his capacity, he was responsible for all activities leading to the ultimate acquisition of hospitals and health systems of various size complexity and legal structure.

He began his career in 1982 with HCA where he served in a variety of CFO positions with the company. Because of his successful track record, he was promoted to CFO for HCA’s Western Group with responsibility for 45 US hospitals, five European hospitals and 125 surgical centers across the US representing approximately \$4 billion in revenue. Andy also was a founding officer, Senior Vice President and CFO of Arcon Healthcare Inc., a provider of comprehensive ambulatory care services. He holds a bachelor’s degree in accounting from the University of Texas at Austin and is a Certified Public Accountant (inactive). He and his wife, Karen, have a son and a daughter.



**Mark Medley**

*Executive Vice President, President – Hospital Operations*

As President of Hospital Operations for Capella, Mark works with the hospital administrative teams in leading the operations of the company’s affiliated hospitals. Prior to joining Capella in 2008, Mark was affiliated for nine years with LifePoint Hospitals serving as a hospital CEO, as well as a Division and hospital CFO. Mark received Capella’s 2012 Growth Pillar Award in recognition of his outstanding work.

Mark began his healthcare career as an Internal Auditor for HealthTrust, Inc. Later, he served as a hospital CFO for two HCA hospitals prior to joining LifePoint. Throughout his healthcare career, Mark has worked directly with more than 35 hospitals in 21 states. Prior to beginning his career in healthcare, Mark served on active and reserve duty with the U.S. Air Force. He earned a bachelor’s in business administration from Tennessee Technological University and is a Certified Public Accountant (inactive).

Mark is currently serving as Chair-elect of the Tennessee Hospital Association (THA) Board of Directors and previously led the THA Council on Government Affairs. In 2013, the THA presented Mark with its Small or Rural Hospital Leadership Award in recognition of his service. He is a fellow in the American College of Healthcare Executives (ACHE). Mark serves on the board of Hospital Hospitality House of Nashville and previously served on the board of Ridley Barron, Inc., an organization that partners with hospital’s and related entities to provide quality care and improve patient safety. He has served as board member of United Way in Lexington, KY and is past-president of two Rotary chapters in which he is a Paul Harris fellow. Mark and his wife, Maree, reside in Franklin.





**Donald J. Bivacca**

*Executive Vice President, President – Operations Support*

Donald J. “Don” Bivacca joined Capella in 2015 as Executive Vice President and President of Operations Support for Capella Healthcare. The new position was created because of the significant growth Capella is experiencing. A key part of Don’s role includes leading our teams in the due diligence process as Capella evaluates potential additions, and helping to determine how the company can best invest capital to improve quality, expand services, manage costs, and recruit needed providers.

With more than 25 years of healthcare experience, Don began his career with HCA serving in a variety of hospital-based financial leadership roles, culminating in the role of Division CFO. After that, he partnered in launching a private company, ARx–The Accounts Receivable Solution, which grew to serve more than 200 providers in 30+ states and earned recognition as one of the fastest growing companies in middle Tennessee four years in a row. He then joined LifePoint Health where he worked for 11 years, serving most recently as Western Group President, with responsibility for 24 hospitals.

Don earned his bachelor’s degree from Bloomsburg University in Bloomsburg, PA, where he majored in accounting, economics and military science. He earned an MBA from Nova Southeastern University in Fort Lauderdale, FL. He is a graduate of The Advisory Board’s Fellowship program.

Don and his wife, Dee, a nurse for the Williamson County School System, have two daughters, Kelsey and Lauren, both looking at careers in health care.



**Neil W. Kunkel**

*Executive Vice President, Chief Legal and Administrative Officer*

Neil joined Capella in October of 2011 as General Counsel and Secretary of the Board. He was promoted to his current position in January 2014. He has more than 20 years of experience in the practice of law, fifteen of those in health care.

Before joining Capella, he was Vice-President and Associate General Counsel for LifePoint Hospitals, which he joined in 1998 before its spin-off from HCA in 1999. Prior to that, he was affiliated with HCA, where he served as Group Operations Counsel then as Managing Counsel. He began his career as Law Clerk for Justices W. Joel Blass and C.H. McRae with the Mississippi Supreme Court in 1990. He then worked for two law firms in Louisville, Kentucky.

A member of the Board of Governors of the Federation of American Hospitals, Neil has served as Chair and Vice-Chair of the Legal and Operations Policy Committee. He has also served as Chair of the Health Facilities Interest Group of the American Bar Association’s Health Law Section. He is a member of the American Health Lawyers Association and a member of both the Tennessee and Kentucky Bar Associations.

A graduate of Wake Forest University, Neil earned his law degree from the University of Louisville Law School, where he was a member of the Brandeis Honor Society. He and his wife, Paula Walker, have two children.





## SENIOR LEADERSHIP

### **Richard "Rick" Charbonneau**

#### *Senior Vice President – Development*

A charter employee of the company, Rick was promoted to VP-Business Development in 2011 and SVP-Development in 2015. He focuses on in-market development as well as the northwestern U.S., where he previously worked. Rick's other primary responsibility is in the vital area of managed care contracting in which he serves as direct liaison for contracting with payers in each of Capella's communities. In both 2013 and 2014, Rick received Capella's Growth Pillar Award in recognition of his outstanding service.

He previously served as Vice President of Managed Care for HCA in their northwest market after having served as Director of Development and Managed Care at Capital Medical Center in Olympia, Washington. Rick has approximately 20 years of healthcare experience including employment as Director of Managed Care with Matrix Rehabilitation, Inc. and HealthSouth, both of which are located in Seattle. He earned a bachelor's degree in business administration from Washington State University and completed the three-year ISP master's program through University of Minnesota's Carlson School of Business. A member of The People's Church in Franklin, Rick's community involvement includes working with children as a soccer coach. He and his wife, Susan, have two daughters.



### **Ben Ross**

#### *Vice President, President – Physician Services*

Ben oversees the Physician Services Department, with responsibility for working with hospitals in the recruitment of physicians as well as practice development. In 2015, Ben received Capella's Growth Pillar Award in recognition of his outstanding performance.

He joined Capella in 2011, coming from Essent Healthcare, Inc. in Nashville, where he had been Vice-President of Physician Services since 2008. Prior to that, he was administrator of a multi-specialty physician practice in Columbia, South Carolina. He also served as a Division Director at Providence Northeast, a Sisters of Charity Providence Hospitals, also in Columbia.

Ben earned his undergraduate degree from Bowling Green State University and his master's degree in health administration from University of South Carolina in Columbia. He and his wife, Shannon, have a daughter.



### **Carolyn Schneider**

#### *Senior Vice President – Human Resources*

Carolyn has over 25 years experience in healthcare human resources, leading talent management functions for large publicly held hospital management companies such as HealthTrust and OrNda/Tenet. Carolyn was named a 2011 "Woman of Influence" by the *Nashville Business Journal* in recognition of her professional and personal accomplishments.

She has led the human resource functions as VP- Human Resources for start-up and entrepreneurial organizations such as MedScape, WebMD and Attentus Healthcare. She



also served as SVP, Chief People Officer for Gibson Musical Instruments with offices and plants worldwide. Her innovative approach towards talent management with HealthTrust and OrNda has been highlighted in such magazines as *Computer World*, *PC Week* and *Plants, Parks and Sites*. She was also featured in Vanderbilt's *Owen Magazine* for her work in HR as a business partner. Early in her career, she received multiple awards from the Texas Association of Personnel Consultants and the Dallas/Fort Worth Association of Personnel Consultants as a top recruiter in the state.

Carolyn holds a master's degree in business from Vanderbilt's Owen Graduate School of Business. She has been active in the community, serving on the Nashville Children's Theatre Board, worked with the Center for Non-profit Management, the Adventure Science Museum, the Monroe Carroll Vanderbilt Children's Hospital and the Nashville Ballet.

**Alan Smith**

*Senior Vice President, Chief Information Officer*

Joining Capella in May 2011, Al leads the company in implementing information systems to achieve the most effective enterprise-wide IT operations. With more than 20 years of experience, Al has worked in hospitals, hospital management companies, health insurance plans and technology consulting firms. In 2013, Al received Capella's Shining Star Award in recognition of outstanding work in all five of the company's pillars. He was also named to Becker's Hospital Review's "100 Hospital & Health System CIOs to Know."

Before joining Capella, Al served as Vice-President of Applications and Interim CIO for Vanguard Health System in Nashville where he was responsible for IT applications for the company's hospitals and affiliated physician clinics across all geographic markets. Before that, he was a Client Results Executive for Cerner Corporation in Kansas City, MO, as well as VP- Clinical Applications for Carolinas Healthcare System (CHS) in Charlotte, NC. He began his career with Andersen Consulting (now Accenture) and First Consulting Group in Detroit, MI, providing technology consulting.

Al is serving on the Board of the Tennessee Health Information Management Society (TN HIMSS). He completed his undergraduate degree in financial administration with highest honors at Michigan State University. He also earned a Masters of Public Health from University of North Carolina at Chapel Hill. Al and his wife, Christie, have two daughters.

**Robert B. Wampler**

*Senior Vice President – Hospital Operations*

In his position as COO-Hospital Operations, Robert works with all of Capella's hospitals. Before being promoted to his current position, he served as VP of Financial Operations and then as Division COO/CFO. Robert has approximately 25 years of healthcare experience, and has had direct operational responsibility for over 30 facilities in 13 states. In 2013, Robert received Capella's People Pillar Award in recognition of his outstanding work.

Before joining Capella, Robert worked for Province Healthcare and LifePoint Hospitals as a Division CFO. He also served for 11 years with Community Health Systems in various roles as Controller, CFO and CEO. Robert earned his bachelor's degree in business administration with a major in accounting from East Tennessee State University. He holds an active CPA license.



Robert serves on the Board of the THA Solutions Group. He and his wife, Lorry, have a son and a daughter. Robert is active in his church and volunteers his time to referee Upward Basketball.



**Lori Wooten**

*Senior Vice President, CFO – Hospital Operations*

Lori oversees financial and business office functions for hospital operations, working closely with hospital CFOs and corporate leadership. Prior to joining Capella, she served for ten years as Vice President-Operations Controller at LifePoint Hospitals, where she was a founding employee. While there, she participated in a High Performers Executive Leadership Program, an intensive two-year program provided through The Advisory Board Company. Prior to that, Lori served as a financial analyst and senior auditor for HCA.

Lori earned her bachelor's degree in accounting in from Lambuth University in Jackson and is a Certified Public Accountant (inactive). She has completed graduate work in Lean for Healthcare at the University of Tennessee. Lori and her husband have two daughters.



**Beth B. Wright**

*Senior Vice President – Corporate Communications & Strategic Marketing*

In addition to her corporate communication responsibilities, Beth works with Capella's hospitals to expand and enhance services in partnership with their medical staffs and communities. With 30+ years of experience in hospital marketing, PR and strategic planning, Beth spent the first two decades of her career as Marketing/PR Director for HCA hospitals in Georgia and Tennessee. In 2012, Beth received Capella's People Pillar Award for outstanding service.

Beth came to Capella from LifePoint Hospitals where she served as Director of Marketing Services for three years, serving 45+ facilities. Her work in physician marketing while there was featured by The Health Care Advisory Board in its 2010 Marketing & Planning Leadership Council national meeting series. She is currently serving on the Editorial Board for *Marketing Health Services* magazine, published by the American Marketing Association, and on the Public Relations Task Force of the Federation of American Hospitals.

Beth graduated cum laude from Shorter University in Rome, GA, with a bachelor's degree in communications. Active in the community, she serves on the Board of End Slavery Tennessee, which works to end human trafficking and to rescue and restore survivors. She also serves on the Board of "You Have the Power," a victim advocacy organization. She and her husband, David, are active members of Long Hollow Baptist Church.





**Daniel S. “Dan” Slipkovich**

*Founder and Board Chair*

A founder of the company, Dan is Board Chairman having served as CEO from 2005–2013. With over 30 years of hospital experience, he is a nationally recognized leader within the healthcare industry. He has led hospitals across the country of varying sizes and scopes – from small, rural facilities to large, urban academic medical centers.

A member of the Board of Directors for the Federation of American Hospitals, which represents over 1,100 hospitals, Dan also serves on the organization’s Audit, Rural Healthcare, and Legislative committees. Through his involvement with the FAH as well as the American Hospital Association and the Nashville Health Care Council, he is an active contributor to the national discussions that shape the industry’s future. In 2009, he was named to *Modern Healthcare’s* list of “Top 100 Most Powerful People in Healthcare.”

In 2011, he was awarded one of the region’s first National Outstanding Eagle Scout Awards by the Boy Scouts of America’s Middle Tennessee Chapter, in recognition of his professional and personal accomplishments. Earning Eagle Scout recognition at age 13, Dan is a lifelong supporter of Scouting and credits this experience with having made a significant difference in his life, impacting both his personal values and professional accomplishments. In 2012, he was named a Nashville Health Care Hero by the *Nashville Business Journal*. According to the NBJ, the accomplishments of Nashville’s “...thirty most influential leaders, innovators, strategists and caretakers...is helping to grow the region’s health care industry and reinforcing Nashville as the health care capital of the nation.”

He began his career as a Certified Public Accountant, holding positions as Chief Financial Officer for HCA and HealthTrust hospitals; Division VP for HealthTrust, as well as Division VP and Group VP for HCA Florida. In September 1997, he was promoted to Senior Vice President with HCA to oversee the reorganization of the company’s non-urban hospitals into the company which would become LifePoint Hospitals. In 2003, Dan became President and Chief Operating Officer of Province Healthcare, a non-urban hospital company.

Dan earned a bachelor’s degree in accounting from West Virginia University and attended graduate school at the University of Miami and Virginia Tech. Outside his work at Capella, Dan has been active with a number of non-profit organizations, including Middle Tennessee Council of Boy Scouts, Association of Retarded Citizens, American Heart Association and the Nashville Ballet, which he has served as President. Dan and his wife, Lisa, have two sons.



## Lease Structure Proposal

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Capella Healthcare, Inc. (“Capella”) proposes to lease the real estate of Wilkes Regional Medical Center (“WRMC”) for a period of 40 years and purchase the remaining assets and operations for an aggregate upfront payment of **fifty million dollars (\$50,000,000)** payable in cash at the time of close. Further on-site due diligence would be required to provide a final proposal.

- The existing ownership of the hospital real estate does not change. At the end of the lease term, the real estate included in the lease will revert back to WRMC or an additional lease payment will be made to renew or extend the lease agreement.
  - Included Entities: The assets and operations of West Georgia Medical Center, Enoch Callaway Cancer Clinic, Florence Hand Home, Twin Fountains Home, Hospice LaGrange, West Georgia Home Care, West Georgia Health Rehabilitation & Wellness, Women’s Health Center, West Georgia Health Outpatient Lab Services, West Georgia Wound Care, West Georgia Physician Partners, LLC, West Georgia Health Physicians, West Georgia Health Information Network, LLC, Vernon Woods Retirement Community, Inc.
  - Excluded Entities: West Georgia Health Foundation.
  - Included Assets / Assumed Liabilities: Land, Buildings and Equipment, Accounts Receivable, Inventory, Prepaid Assets, Accounts Payable-Trade and Accrued Payroll.
  - Excluded Assets / Liabilities: Cash, Cash Equivalents, Marketable Securities, Cost Report Receivables and Payables, Long-term Debt and Accrued Interest, Capital Lease Liabilities, Retirement Plan Obligations, Self-Insurance and Malpractice Liabilities, and all pre-close liabilities unless specifically assumed as part of the Long-term Lease Agreement.

Capella will make the following commitments to West Georgia Health Services and the community:

- Capella will provide all necessary medical care to all patients regardless of ability to pay for services received. Capella intends to adopt the charity care policy of WRMC.
- Capella will commit to on-going capital expenditures to ensure state-of-the-art technology, equipment and facilities are maintained. Capella’s average annual capital commitment is expected to range between 3% - 4% of hospital net revenue. Specific projects to be pursued as part of the projected expenditures will be subject to input from the Board of Trustees.
- Capella is committed to the growth and expansion of needed services in the hospital service

## Lease Structure Proposal

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area. In order to recapture the outmigration of certain WRMC patients to competing facilities in the region, Capella will specifically support the expansion of key service lines as supported by the Board of Trustees, Medical Staff and Community.

- Capella will assume responsibility for the ongoing routine maintenance and upgrades to the hospital to ensure that the physical condition of the building and equipment is maintained throughout the lease term.
- Capella will employ all active employees at current pay scales, accept seniority for all aspects of our benefit plans, waive all waiting periods and pre-existing condition limitations, and implement a highly competitive benefit plan for all employees.
- Capella will commit to be a valued corporate partner in the communities we serve. As a tax-paying organization, we will significantly enhance the revenue tax base via the payment of property and sales taxes, which will serve to strengthen the overall economic vitality of the community.
- Capella will adopt the existing medical staff bylaws and rights and privileges thereto subject to legal review.
- Capella will commit to a local governance structure. **WRMC will be governed by an all-local Board of Trustees** vested with the responsibility to review and approve the strategic plans of the hospital, monitor and advise as to the quality of services provided, review and assist with the development of the operating and capital budgets, advise Capella with respect to charitable contributions to benefit community organizations, plus other responsibilities as outlined by The Joint Commission. The Board of Trustees will be composed of all local residents of the hospital service area, with approximately 50% representing the medical staff and 50% representing the community, plus the hospital CEO.
- Capella will maintain core hospital services currently provided that are supported by the physicians and community, unless otherwise directed by the local Board of Trustees of the hospital.
- Capella will assume all contracts that are in writing and necessary to the ongoing delivery of healthcare operations, subject to legal review.
- Capella, after consultation and confirmation with the WRMC Board of Trustees and Medical Staff, will initiate an aggressive recruitment campaign to identify and recruit highly qualified physicians to support the community medical needs and the hospital. Capella will offer

## Lease Structure Proposal

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attractive recruitment packages including: sign on bonuses, relocation assistance, and income guarantees and, if appropriate, salaried positions.

- Capella will provide access to our corporate staff of experts to support WRMC's operational and managerial needs including: legal support, reimbursement strategies and reporting, physician recruitment, physician practice management, managed care contracting, human resource services, risk management expertise, corporate compliance / integrity systems and controls, quality and resource management, materials management / procurement systems and support, information systems support, business office operations support, Joint Commission accreditation and leadership support.
- This proposal is subject to completion of routine due diligence.