

# Prince George's County Hospital Authority

October 10, 2008

## Members:

Kenneth E. Glover  
Chairman

Donald E. Wilson, MD, MACP  
Vice-Chair

Stan D. Brown, Esq.

Thomas M. Himler

Andrea Lenhy-Fuchek, Esq.

Karen Johnson Sheppard, Esq.

Joseph L. Wright, MD, MPH, FAAP

The Honorable Martin O'Malley, Governor  
State House, 2nd Floor  
100 State Circle  
Annapolis, MD 21401

Dear Governor O'Malley:

On behalf of the Prince George's County Hospital Authority (the "Authority"), and pursuant to the Authority's enabling statute, Chapter 680 of the 2008 Laws of Maryland, I write to provide you an update on the status of the Authority's efforts to facilitate the transfer of the Prince George's County Health Care System to a new owner or owners.

First, the following constitutes a review of the benchmarks which have been met since appointment of the Authority last spring, and a projected timeline for the next few months:

1. **MEMORANDUM OF UNDERSTANDING ON LONG-TERM FUNDING:** In July, the State and County executed a Memorandum of Understanding to document the commitment of \$174 million in public funding to help stabilize and facilitate the transfer of the health care system to a new owner. The State and County will each provide \$75 million over five years beginning in FY'11, and the State will commit an additional \$24 million in capital support over three years beginning in FY'12. This agreement triggered the State and County's obligation to pay \$12 million each in FY'09 and FY'10 to help keep the system operating during the search for the new owner.
1. **FINANCIAL AND HEALTH CARE ADVISORY CONSULTANTS:** In August, the Authority hired Alvarez & Marsal, a nationally-recognized firm, and Public Advisory Consultants, a firm with local expertise, as financial and health care advisory consultants to assist in the valuation, marketing, and issuance of the Request for Proposals for the health care system.
2. **PHASE ONE OF BIDDING PROCESS:** As of September 19, the Authority launched the first phase of the bidding process. This phase will consist of the following steps:
  - A. **Opportunity Description Memorandum.** This document notifies interested persons that the Authority is initiating a process to transfer control and ownership of the Prince George's Health Care System. (A copy of the Memorandum is attached.) The Authority's consultants, Alvarez & Marsal, have sent this marketing document to 84 entities across the country. Recipients include local health care entities, leading national health care organizations and related persons having a known or potential interest in this acquisition opportunity.
  - B. **Confidentiality Agreement.** Potentially qualified buyers interested in receiving further information about the Prince George's County Health

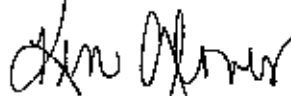
Care System and its internal operating / fiscal affairs will have access to a detailed assessment of the health care system. This material is set forth in the Confidential Information Memorandum (CIM) described below. In order to obtain access to this confidential information, potential bidders are being asked to sign a Confidentiality Agreement. The CIM and other documents containing confidential commercial information about the Prince George's County Healthcare System and its operator, Dimensions Health Corporation, will be shared with potential bidders to facilitate their due diligence.

- C. **Request for Proposals: Part One.** Entities signing the Confidentiality Agreement will then receive a Confidential Information Memorandum (CIM), a document with detailed information about the assets and operations of the Prince George's County Healthcare System, its market and service area, State and County expectations and commitments with respect to the system, and the regulatory environment in which it operates. Entities receiving the CIM will also have access to an electronic data room with additional information to facilitate more in-depth due diligence.
  - D. **Questionnaire.** Potential bidders with interest in proceeding to the next phase of the process will receive a questionnaire addressing a variety of issues involved in the operation and management of health care systems. Examples include: history and experience in developing and managing major health care programs; working with unions; employee pension and benefit management; the scope, methodology and approach to the delivery of health care services; relationships with physicians, *etc.*
3. **PHASE TWO OF THE BIDDING PROCESS:** In late October and early November, the Authority anticipates entering the second phase of the bidding process. This phase will consist of the following steps:
- A. **Non-binding Indication of Interest.** Approximately 30 – 45 days after receiving the CIM, entities interested in proceeding further will submit a non-binding letter of intent or indication of interest. This submission shall outline the bidder's proposals regarding the various aspects of the proposed transaction, *e.g.*, financing, delivery of services, use of assets, plan for liabilities, *etc.*
  - B. **Request for Proposals: Part Two.** Potential bidders responding to the questionnaire will receive Part Two of the RFP. This document will outline the evaluation process and the general criteria to be applied to bids by the Authority in its evaluation and selection of a new owner or owners.
  - C. **Development of Binding Offer.** After another 30-45 days during which bidders who have submitted non-binding indications of interest will refine and develop further the details of their proposed transactions, the Authority will select a bidder or bidders with whom to negotiate one or more quasi-binding offers to be presented to stakeholders at the beginning of the 2009 Session of the General Assembly.

In terms of process, the Authority holds meetings on the third Monday of each month at one of the five facilities of the health care system. At these meetings, the Authority conducts business with respect to its budget, operations, and internal workgroups, receives presentations and reports from the consultants and various stakeholders, and solicits comment from the public.

Pursuant to its statutory mandate, the Authority will provide you another update on its progress toward the end of November. In the interim, please let me know if you have any questions.

Very truly yours,



Kenneth E. Glover  
Chair

cc: Members of the Prince George's County Hospital Authority  
Enclosure