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About LHP Hospital Partners, Inc.

Who is LHP?

LHP Hospital Group, Inc. (LHP) is a privately held company established to provide essential capital and expertise to not-for-profit hospitals and hospital systems. LHP's executives were formerly the management team at Triad Hospitals, Inc., which owned and operated fifty-four hospitals across the nation.

In cooperation with local hospitals, LHP forms joint ventures to acquire, own, operate and manage acute care facilities in small cities and select urban markets throughout the United States. Headquartered in Plano, Texas, LHP is owned by affiliates of private equity firm CCMP Capital Advisors, LLC and the CPP Investment Board as well as selected members of management and the board of directors. For more information, please go to www.lhphospitalgroup.com

Bringing a partner like LHP will ensure the community has access to quality healthcare for years to come. Currently, LHP partners with and manages two other hospitals and recently formed a joint venture with the Seton Family of Hospitals in Texas to construct, own and manage a hospital together in Harker Heights, TX.

Has LHP worked with Catholic hospitals before?

Yes, LHP is working with Ascension's Austin, TX affiliate, the Seton Family of Hospitals to build a new hospital, Seton Medical Center Harker Heights in Bell county, TX. This will be the second hospital that the LHP management team has worked with the Seton team on. While at Triad, Seton and Triad built a joint ventures hospital together in Cedar Park, TX.

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Welcome to the Future of Bay Medical

Bay Medical has announced a proposed affiliation with a joint venture company to be formed between Sacred Heart Health System and LHP Hospital Group.

Sacred Heart Health System operates three hospitals in Northwest Florida with a reputation for clinical excellence and commitment to the community. LHP Hospital Group is a leading national provider of capital and healthcare expertise known for their work with not-for-profit hospitals.

We created this website to share information about the future of Bay Medical and our plans to grow with the changing healthcare environment while building on our established record of quality care for our community.

We hope to answer most of your questions about the proposed affiliation here and provide a method for you to submit additional questions and receive answers. Please take a moment to view a video message below from Bay Medical CEO, Steve Johnson.



Dan Moen
CEO of LHP Hospital Group



Laura Kaiser
President & CEO, Sacred Heart Health System


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Affiliation at a Glance

The proposed affiliation and lease of Bay Medical by Sacred Heart & LHP will:

- » Keep Bay Medical employees in their jobs
- » Protect employee pension funds
- » Continue charity and uncompensated care for our community
- » Create a sizeable new community foundation to focus on community health needs
- » Establish Bay Medical as a local tax payer and eliminate existing debt
- » Provide local citizens and physicians a role in the governance of the hospital.

Lease Document

[BMC-BCHS Lease \(February 15, 2012\)](#)

[Asset Purchase Agreement](#)

[Executive Summary of the Asset Purchase Agreement](#)

[Executive Summary of the Lease Agreement](#)

[Board Resolution](#)

[Bay Medical Valuation Statement](#)

Ask Bay Medical

Have a question about Bay Medical? Let us know. We'll add many of these questions and answers to this site on an ongoing basis.

Your Email Address



Amer R. Malik, M.D.
Internal Medicine Specialist



Neal P. Dunn, M.D.
Urologist



Richard F. Walker, M.D.
Nephrologist

Your Question

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News Links

Feb 10, 2012

[Commissioners Set Dates For Community Forums](#)

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[Bay Medical Trustees Approve Lease](#)

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[County Commissioners & Bay Medical Trustees Hold Workshop To Review Lease Terms](#)

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[The Gooding Institute Will Not Change With Bay Medical Lease](#)

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Questions & Answers

New Answers to Employee Questions

Will employees who are accruing time towards a 30 year retirement still be able to reach this goal?

Yes. The Board of Trustees has approved amending the Pension Plan to allow those employees who have been continuously employed in a benefited position since 12/31/95 or before the ability to obtain a 30 year retirement benefit. For example, if an employee had 20 years of credited pension service at the time of the transition, that employee will be able to retire in 10 calendar years without having the usual 5% deduction for early retirement (regardless of age).

Will employees who are not vested in the Pension Plan be allowed to vest?

Yes. The Board of Trustees has approved amending the Pension Plan to allow current employees to vest regardless of years of credited service. Therefore, they will have the opportunity to become fully vested in any monies that have been credited to their Pension Plan.

Will employees who are eligible to begin their BMC Retirement Benefits be able to begin their benefits following the transition without having to separate service for at least 90 days?

Yes. Since we will be employed by a new employer (LHP), employees can choose to begin their retirement benefits following the transition if desired.

What will happen with our accrued Paid Time Off (PTO) balances?

Administration negotiated with LHP to allow employees to carryover their PTO balances into their new plan with LHP. This will allow employees to begin with LHP with time off already accrued.

Will all employees be paid out their accrued Extended Illness Days (EID)?

Yes. The Board of Trustees has approved to amend the EID Policy to allow all employees to receive a pay out of their EID balances as follows:

- Employees with 10 or more years of continuous service will be paid out 50% of their EID balances in accordance with our current policy
- Employees with less than 10 years of continuous service will be paid out their EID balances based on the percentage of 10 years of continuous service they have at the time of the transition. For example, an employee with 5 years of continuous service has met 50% of the 10 year requirement so they will receive 50% of 50% of their EID balances under the new policy.

Will LHP honor employee tenure with Bay Medical?

Yes. Administration has negotiated with LHP to allow employees to carryover their current tenure for seniority and vesting purposes. Employees will also carryover their most recent benefit eligibility date for eligibility for LHP benefits and benefit accruals.

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Ask Bay Medical

Have a question about Bay Medical? Let us know. We'll add many of these questions and answers to this site on an ongoing basis.

Your Email Address

Your Question

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1. What type of agreement is being negotiated?

Bay Medical is exploring a possible affiliation with a joint venture company to be formed between Sacred Heart Health System and LHP Hospital Group, Inc. The intent of the three organizations is to negotiate a long-term lease agreement under which the joint venture would lease all of the assets of Bay Medical and operate the hospital and related healthcare facilities for 40 years.

2. How would Bay Medical benefit from this arrangement?

The proposed affiliation would enable Bay Medical to eliminate its existing \$115 million debt, to access capital for future investment in facilities and technology, to share clinical best practices, to enhance and further develop clinical service lines and to leverage economies of scale for greater purchasing power. It will also enable the hospital to establish a multi-million dollar foundation to fund community health related needs.

3. What will happen to the employees?

Under the proposed affiliation, all employees will be retained at their current position and salary. Salary and benefits overall will remain consistent and comparable. Employee tenure will be recognized by the new joint venture.

The hospital will benefit from affiliation with a strong financial partner and a larger network of hospitals. The additional financial and clinical resources will provide a more secure future for Bay Medical Center and its employees.

4. What will happen to the Bay Medical Center Pension plan?

The BMC Pension Plan is well funded and pension benefits that have been earned in the plan by current and former BMC employees are protected. Although the BMC Pension Plan will be frozen at the time of affiliation, benefits that have been accrued under the plan will remain intact.

5. How will things change for physicians?

Physicians will see little change in their day-to-day practice in the hospital and will continue to follow the same medical staff bylaws and credentialing process. They will see improvements because the hospital will have greater access to capital to invest in equipment and facilities. Physicians will have a role in governance of the hospital.

6. Will Bay Medical continue to provide charity care?

Yes. Bay Medical will continue the same charity and uncompensated care policies that it has in place.

7. Will any of the current services be discontinued?

No. Bay Medical will continue to provide the same core services at the same high level as currently offered.

8. With the proposed affiliation, what changes will the community see?

Day-to-day operations of the hospital will remain largely unchanged. However, the proposed agreement should strengthen and enhance the hospital and the quality of healthcare for everyone in our community. It will allow us to invest in our facilities, new technologies and the training needed to ensure the best, most current care continues to be available in our community.

The proposed affiliation will also allow for the establishment of a multi-million dollar Foundation to fund unmet health related needs in our community.

9. How would this Foundation work?

Once the hospital's debt and all existing liabilities have been paid, all excess revenues from the lease will be used to establish a sizeable Foundation that will provide grants to Bay County organizations to help fund unmet health needs. The Foundation will be overseen by the current Bay Medical Board of Trustees with advisory committees made up of local citizens. The funds would be placed in an endowment and the revenues generated each year would be distributed to local organizations. This would allow the fund to remain in perpetuity.

10. What is the difference between this lease and an outright sale?

With this proposed lease, the citizens of Bay County will continue to own the hospital and will have representation on the governing board.

11. Why does Bay Medical need to affiliate?

Bay Medical has struggled for the past two years due to a dramatic increase in uninsured patients and lower reimbursement from government payors. The cost of charity care has skyrocketed from \$11 million in 2000 to an average of \$30 million annually. The hospital receives **no tax support** for providing this care.

Medicaid cuts will impact the hospital by several million dollars next year and further cuts in Medicare are on the horizon. At the same time hospitals will be expected to invest in new systems and programs to meet the requirements of healthcare reform. It is increasingly difficult for public, stand-alone hospitals that do not receive tax support to survive. In fact, more than 80% of all Florida hospitals are now part of a healthcare system and that number continues to grow.

It is critical for Bay Medical to have access to capital to maintain the same level of high quality care for our community and this arrangement provides a way to both access capital and to be part of a network that will improve quality.

12. Why did Bay Medical move forward with the patient care tower project during this economy?

The completion of the patient care tower was vital for Bay Medical during this economy for many reasons. Prior to the new tower's completion, we were frequently at capacity and had to turn away patients. Our original structure was built in 1949, making it extremely costly to maintain and upgrade to meet current standards. Now that we have moved into the new tower, we have room to renovate older areas and improve our facilities for all patient care areas. For the hospital to survive, we had to be able to attract insured patients. Having more private rooms is crucial when patients have a choice in where to receive their hospital care. Private rooms are the standard in newer facilities across the country and play a helpful role in managing infection control and reducing patient stress during hospitalization. In short, the new patient care tower was critical in preserving Bay Medical as a quality healthcare provider for generations to come. We could not afford not to build it.

13. Why Sacred Heart and LHP?

Sacred Heart is an obvious choice because it already has three hospitals in Northwest Florida, and more importantly, because of its reputation for clinical excellence and its similar mission and commitment to the community. LHP's history of working with not-for-profit hospitals and its extensive experience in hospital operations and management make it a natural fit as well.

14. Will Bay Medical become a for-profit hospital?

Yes, Bay Medical will be a for-profit hospital and as such will begin paying taxes, but, importantly, Bay Medical will continued to follow the same community and charity care standards applicable to not-for-profit hospitals.

15. What is the difference between a for-profit hospital and a not-for-profit hospital?

The traditional answer is that for-profit hospitals pay taxes and return a portion of their profits to their private investors, while not-for-profit hospitals operate primarily for the benefit of the community and reinvest their profits into their facilities and services. Not-for-profit hospitals are tax-exempt and are focused on meeting community needs and treating all patients – uninsured and insured – with the same respect and compassion. With the arrangement envisioned under the new

joint venture operation, Bay County citizens will benefit in several ways from a unique partnership of a not-for-profit health system (Sacred Heart) with a for-profit hospital company (LHP.) Bay Medical will change its legal status from a not-for-profit hospital to an investor-owned hospital that is part of a Catholic health system. The hospital will begin paying taxes, but it will retain the same mission-driven focus that Bay Medical and Sacred Heart have always provided to the communities they serve. The new Joint Venture operation of Bay Medical will be focused on delivering high quality healthcare, serving all patients who need care and meeting the overall healthcare needs of the community.

16. Will the name of the hospital change?

Consideration of the letter of intent is the first step in a process and naming will not be decided at this time. However, both Sacred Heart and Bay Medical have strong brand name recognition and reputation and any future name would build on the strengths of both of our healthcare organizations.

17. Will Bay Medical become a Catholic hospital?

Bay Medical will not be owned by Sacred Heart, but the proposed affiliation calls for the hospital to operate as a Catholic ministry that continues Jesus' mission of love and healing. Sacred Heart's mission is to serve all persons with special attention to those who are poor and vulnerable. The proposed affiliation would have Bay Medical operate according to the Catholic Church's moral principles and ethical directives that apply to health care services.

18. Will Bay County citizens have a voice in the governance of the hospital?

Yes. Bay Medical will have two seats on the joint venture board, one to be appointed by the Board of Trustees of Bay Medical and one from the medical staff. In addition to the joint venture Board of Directors, a twelve member local Board of Trustees will be appointed for the facility. Up to 50% of the members of the Board will be physicians from the active medical staff and the remainder will be chosen from local community leaders.

19. What will happen to the existing Foundation which has raised money for Bay Medical over the years?

The Foundation will be dissolved, but some of the Foundation members will have an opportunity to serve on an advisory committee for the new Foundation. The new Foundation will not raise money, but will be a grant-making Foundation.

20. What are the next steps for this transaction to move forward?

After public input, the Bay Medical Board of Trustees will consider approving the letter of intent. If approved, all parties will conduct an in-depth financial and operational analysis prior to finalizing details of an agreement. Any final agreement will then be presented to the Bay Medical Board of Trustees for their consideration, and if approved, the final agreement will then go before the Bay County Board of County Commissioners.

21. When should we expect the transaction to be complete?

If an agreement is reached that satisfies the needs of all parties, the transaction could close by January 2012.

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