On October 23, 2019, Frisbie Memorial Hospital filed a notice of proposed acquisition transaction with FMH Health Services, LLC, an affiliate of HCA Healthcare, Inc. (HCA), whereby FMH Health Services would purchase substantially all of the assets of Frisbie Memorial Hospital.1

This fact sheet refers to the seller, Frisbie Memorial Hospital, as “FMH,” and refers to the buyer as “HCA.”

**Potential Benefits**

- Financial stability for FMH
- Reduced cost of capital and supplies for FMH
- Commitment to specific capital investments in the short term
- Lower cost of care for low-income uninsured patients
- Improved operational efficiency through consolidated administrative functions and updated technology

**Potential Concerns**

- Increased cost of care for insurers and middle-income patients
- Changes to the quality of care provided at FMH
- Administrative staff layoffs
- Change from a not-for-profit entity to a for-profit entity may affect community benefits and transparency
- Changes to local control of FMH
**Background**

During 2017 and 2018, FMH incurred $43 million in losses, approximately 15% of its total revenue, due to lower payments received by the hospital, increased uncompensated care, and issues implementing a new computer system.²

- The FMH board worried that the hospital could not continue to operate independently under these conditions.
- The board requested proposals from 10 potential partners; three organizations submitted proposals to purchase or partner with the organization.
- The board selected HCA because it submitted a proposal the board felt met the needs of the hospital and community, it had experience managing hospitals in New Hampshire, and it offered the highest up-front funding commitment. Another organization offered a higher total price, but it would have invested funds over a longer period of time.³

**Proposed Transaction**⁴

- HCA would pay $67 million to acquire FMH, including the Frisbie Foundation and its affiliates. $8 million of this amount would be held in escrow for two years.
- The parties would create an independent charitable foundation.
  - The foundation’s mission would be to benefit the health and well-being of the Greater Rochester community.
  - Proceeds from the hospital sale would be transferred to the foundation.*
- For five years following the sale, HCA commits to:
  - Maintaining uninsured and charity care policies and
  - Continuing hospital services, including: emergency department, inpatient medical and surgical behavioral health, and labor and delivery.**
- HCA will make these specific capital investments following the sale:
  - Purchase a new MRI machine (within one year).
  - Construct a designated unit in the emergency department for psychiatric emergencies (within two years).
  - Construct a pharmacy “clean room” for compounding sterile preparations (within two years).
- If the transaction is approved, all FMH employees will be terminated. HCA notes that it plans to offer employment to substantially all employees, other than senior management.
- The parties will create an advisory board consisting of three members appointed by HCA and three members appointed by the Foundation to:
  - Review annual reports.
  - Monitor HCA’s compliance with its obligations following the sale.
  - Approve any changes to FMH services, capital projects, and uninsured and charity policies.
- Going forward, three members of the hospital board will be people who live or work in Strafford County.

* Proceeds from the hospital sale are net of certain costs associated with the sale and losses incurred as part of the sale and payment of FMH liabilities. For a ten-year period, the principal would be available to reimburse HCA in the event that HCA has losses for which FMH was responsible.
** HCA may revoke this commitment if unforeseeable and unavoidable circumstances make providing the services impossible or unreasonable, or certain contingencies described in the purchase agreement occur, or the advisory board determines that discontinuing the service is in the best interest of the hospital and the community.
At a Glance

<table>
<thead>
<tr>
<th></th>
<th>FMH (FY18)</th>
<th>PMC (FY17)</th>
<th>PRH (FY18)</th>
<th>HCA (FY18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Hospitals</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>179</td>
</tr>
<tr>
<td>Total Number of Beds</td>
<td>88</td>
<td>86</td>
<td>220</td>
<td>47,199</td>
</tr>
<tr>
<td>Total Charity Care (millions)</td>
<td>$0.18</td>
<td>$2.06</td>
<td>$4.7</td>
<td>$3,360</td>
</tr>
<tr>
<td>Total Expenses (millions)</td>
<td>$131.1</td>
<td>$98.6</td>
<td>$204.7</td>
<td>$41,342</td>
</tr>
<tr>
<td>Total Net Patient Service Revenue (millions)</td>
<td>$136.6</td>
<td>$143.3</td>
<td>$302.8</td>
<td>NA</td>
</tr>
<tr>
<td>Total Revenue (millions)*</td>
<td>$150.7</td>
<td>$143.6</td>
<td>$303.8</td>
<td>$46,671</td>
</tr>
</tbody>
</table>

*Total revenue for FMH, PMC, and PRH calculated by authors based on reported data from CMS Hospital Form 2552-10 reports filed by each hospital.

- HCA owns Parkland Medical Center (PMC) and Portsmouth Regional Hospital (PRH).
- FMH is much smaller than PRH and the average HCA hospital size of 263 beds.\(^5\)
- HCA consists of 16 divisions operating across the United States and in the United Kingdom.\(^13\)
- Both PMC and PRH are part of HCA’s Capital Division, which includes 17 regional hospitals, seven free-standing emergency centers, and 14 Behavioral Health Centers in four states.\(^14\)

Locations of HCA Owned Facilities\(^{13}\)
Hospital Payment Levels – Outpatient Services

- As an example, these charts show the average payments FMH, PMC, and PRH receive for outpatient tests and procedures compared to the state median payment per visit for the same services.
- The payments FMH receives from private payers are lower than the state median payment for the services FMH provides. The payments PMC and PRH receive from private payers are higher than the state median payment for the services they each provide.
- PMC and PRH give greater discounts to uninsured patients than FMH.

Private Insurance Payments

Uninsured Payments**

* Outpatient tests and procedures does not include radiology services or facility fees for ED and office visits.
** NH HealthCost estimates the price each hospital offers to uninsured individuals based on the hospital’s charges less the discount the hospital offers to uninsured patients for the mix of services the hospital provided to insured patients.
Hospital Financial Analysis

- FMH’s expenses are similar to expenses at PMC and PRH and the state average.
- FMH’s revenues were similar to the state average in 2014, 2015 and 2016, but much lower in 2017 and 2018.
- PRH’s revenues far exceeded the state average in all years.
- PMC’s revenues were as high as PRH’s in 2015 and 2016, but similar to the state average in 2014 and 2017.

*Adjusted hospital day = (inpatient days + inpatient days x (outpatient charges/inpatient charges)).
## Hospital Quality Snapshot – Comparison

FMH generally receives higher quality scores than PMC, PRH, and HCA Capitol Division facilities.

<table>
<thead>
<tr>
<th>Source</th>
<th>Measure*</th>
<th>Frisbie Memorial Hospital</th>
<th>Parkland Medical Center</th>
<th>Portsmouth Regional Hospital</th>
<th>HCA Capital Division Acute Care Facilities**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Hampshire HealthCost Quality of Care Scores</strong>&lt;sup&gt;17&lt;/sup&gt;</td>
<td>Quality of Care Measures Better Than Average</td>
<td>6 out of 15</td>
<td>4 out of 14</td>
<td>6 out of 15</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Quality of Care Measures Near Average</td>
<td>6 out of 15</td>
<td>4 out of 14</td>
<td>4 out of 15</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Quality of Care Measures Worse Than Average</td>
<td>3 out of 15</td>
<td>6 out of 14</td>
<td>5 out of 15</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>U.S. Centers for Medicare and Medicaid Services (CMS) Hospital Compare</strong>&lt;sup&gt;18&lt;/sup&gt;</td>
<td>Overall Rating***</td>
<td>5 out of 5 stars</td>
<td>2 out of 5 stars</td>
<td>3 out of 5 stars</td>
<td>2.7 out of 5 stars</td>
</tr>
<tr>
<td></td>
<td>Patient Experience Summary Star Rating****</td>
<td>4 out of 5 stars</td>
<td>3 out of 5 stars</td>
<td>3 out of 5 stars</td>
<td>3.1 out of 5 stars</td>
</tr>
<tr>
<td></td>
<td>Percent of patients who would recommend the hospital</td>
<td>78% Above national average</td>
<td>66% Below national average</td>
<td>70% Close to national average</td>
<td>71% Close to national average</td>
</tr>
<tr>
<td></td>
<td>Percent of patients who received help as soon as they wanted it</td>
<td>74% Above national average</td>
<td>75% Above national average</td>
<td>61% Below national average</td>
<td>66% Below national average</td>
</tr>
<tr>
<td></td>
<td>Unplanned Readmission Rating*****</td>
<td>No different than national rate</td>
<td>Worse than national rate</td>
<td>No different than national rate</td>
<td>• 16 out of 17 facilities no different than the national average • 1 facility (PMC) below the national average</td>
</tr>
</tbody>
</table>

* Measures highlighted in shades of green are scores higher than the state or national average, shades of yellow are scores at or near the state or national average, and shades of red are scores lower than the state or national average.

** The authors calculated average CMS Hospital Compare scores for the 17 HCA Capital Division acute care facilities.

*** This measure summarizes more than 100 measures of mortality, safety of care, readmission, patient experience, effectiveness of care, timeliness of care, and efficient use of medical imaging.

**** This measure summarizes how patients recently discharged from the hospital responded to a survey about their hospital experience. The survey asked questions like how well a hospital’s doctors and nurses communicated with the patient.

***** Share of patients readmitted to the hospital within 30 days of discharge.
Communities Served by FMH*19

- FMH identifies the communities FMH shaded in blue as its primary service area.
- The map also shows the locations of nearby hospitals.
- HCA owns PMC and PRC, shown here with orange stars.

* This map shows the communities reported by the hospital as its primary service area; it does not reflect an anti-trust analysis.

Community Health Profile

- Rochester City and Strafford County, which includes FMH, performed similar to or better than the state average on most population health measures.
- However, Rochester City and Strafford County do have some health challenges, such as those highlighted below.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Rochester City</th>
<th>Strafford County</th>
<th>New Hampshire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons with a disability, under age 65</td>
<td>12.6%20</td>
<td>9.2%20</td>
<td>8.8%20</td>
</tr>
<tr>
<td>Persons without health insurance, under age 65</td>
<td>11.9%20</td>
<td>7.4%20</td>
<td>6.9%20</td>
</tr>
<tr>
<td>Number of asthma related ED visits</td>
<td>NA</td>
<td>53621</td>
<td>33722</td>
</tr>
<tr>
<td>Number of diabetes related hospitalizations</td>
<td>NA</td>
<td>1,91623</td>
<td>1,41923</td>
</tr>
<tr>
<td>Number of drug related deaths</td>
<td>NA</td>
<td>29.224</td>
<td>33.5 (projected)24</td>
</tr>
<tr>
<td>Number of drug related ED visits</td>
<td>NA</td>
<td>67524</td>
<td>41324</td>
</tr>
<tr>
<td>Number of deaths among residents under age 75</td>
<td>NA</td>
<td>326.325</td>
<td>299.425</td>
</tr>
<tr>
<td>Newly diagnosed chlamydia cases</td>
<td>NA</td>
<td>37826</td>
<td>27126</td>
</tr>
<tr>
<td>Ratio of population to primary care physicians</td>
<td>NA</td>
<td>1,400:127</td>
<td>1,100:127</td>
</tr>
<tr>
<td>Ratio of population to mental health providers</td>
<td>NA</td>
<td>440:127</td>
<td>350:127</td>
</tr>
<tr>
<td>Number of hospital stays for ambulatory-care sensitive conditions</td>
<td>NA</td>
<td>4,76127</td>
<td>3,94727</td>
</tr>
<tr>
<td>Persons in poverty</td>
<td>10.8%20</td>
<td>9.4%20</td>
<td>7.7%20</td>
</tr>
</tbody>
</table>
Citations:


10. Data retrieved from CMS Hospital Form 2552-10 Cost Reports for Parkland Medical Center for FY2014 - FY2017.

11. Data retrieved from CMS Hospital Form 2552-10 Cost Reports for Portsmouth Regional Hospital for FY2014 - FY2018.

12. Data retrieved from CMS Hospital Form 2552-10 Cost Reports for Frisbie Memorial Hospital for FY2014 - FY2018.


15. New Hampshire Comprehensive Health Care Information System (NH CHIS). NH CHIS Group Medical Plans and Uninsured Claims only, FY2018 Q3. Analysis of weighted average of median payment amounts compiled by the authors and staff of the New Hampshire Insurance Division.

16. Authors analysis of data retrieved from CMS Hospital Form 2552-10 Cost Reports for Frisbie Memorial Hospital, Parkland Medical Center, Portsmouth Regional Hospital, and New Hampshire Statewide Averages for FY2014 - FY2018.


