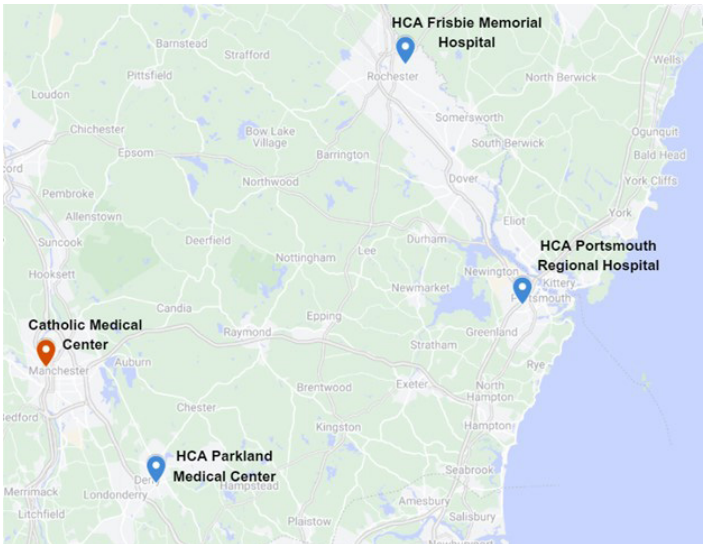
# Catholic Medical Center and HCA Healthcare Proposed Transaction

## Public Hearing Fact Sheet

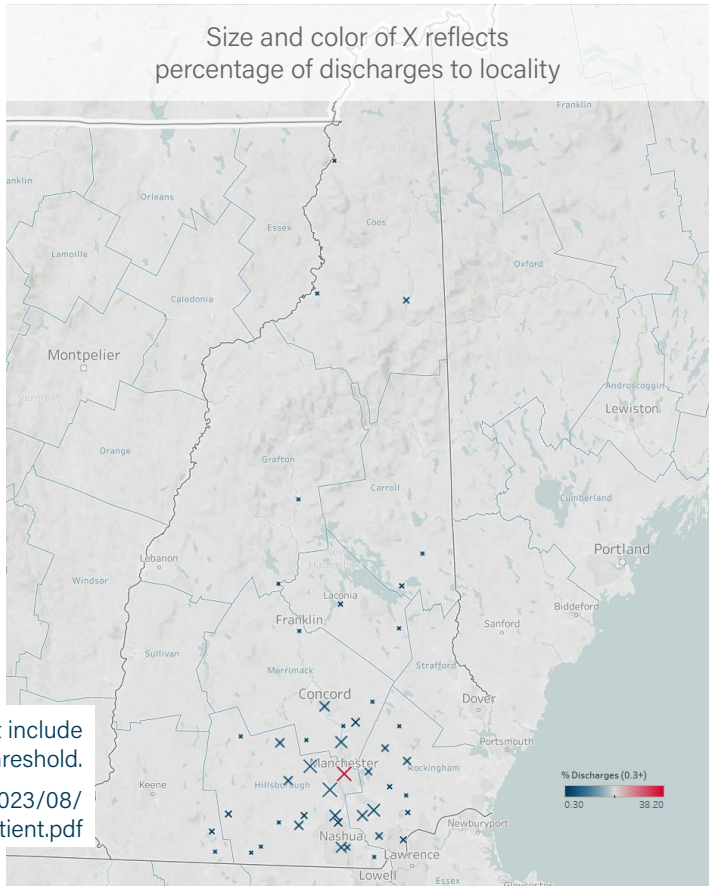
On June 28, 2024, Catholic Medical Center (CMC) notified the New Hampshire Attorney General Director of Charitable Trusts of plans to sell all of its assets to Manchester Health Services, LLC (MHS), a Delaware limited liability company, which is a subsidiary of HCA Healthcare, Inc. (HCA), a Delaware corporation.

- The Transaction includes CMC as a New Hampshire nonprofit corporation devoted to providing health services and care in accordance with its Catholic mission and identity together with its affiliates, including the following:
  - **Alliance Ambulatory Services (AAS):** a New Hampshire nonprofit corporation which owns and operates interests in various ambulatory and urgent care facilities
  - **Catholic Medical Center Physician Practice Associates (CMCPPA):** a New Hampshire nonprofit corporation which employs the physicians who provide health care services to patients of CMC and other facilities within the CMC Healthcare System (CMCHS)
  - **Alliance Resources, Inc. (Alliance Resources):** a nonprofit real estate holding company that owns parcels of land for the benefit of CMC
  - **Alliance Enterprises, Inc. (Alliance Enterprises):** a for-profit entity which owns the interests in McGregor Street Office Building, LLC
  - **McGregor Street Office Building, LLC (McGregor Street MOB)** which owns properties across from the CMC hospital campus
- The proposed transaction is an acquisition transaction and will cause substantially all of the assets of the CMC Transaction Parties to be acquired by HCA.
- CMC will be owned by HCA. HCA will have authority over CMC's governance and operations and, indirectly, powers over CMC's subsidiaries.

### CMC in Relationship to Other HCA Hospital Facilities in New Hampshire




### Communities Served: CMC Hospital Service Area




Discharges include all inpatient services, but do not include communities with discharges below the 0.30 threshold.

Source: https://www.nhha.org/wp-content/uploads/2023/08/Patient-Origin-Report-CY2021-Inpatient.pdf

## POTENTIAL BENEFITS AND CONCERNS

Based on document review, published research, community forums, and stakeholder interviews.

**Points of Focus for Potential Community Impact**

1. Access to services
2. Change from local governance and decision-making to a national for-profit entity
3. Quality of care
4. Changes in charity care and community benefit services
5. Cost of care
6. Retention of charitable assets in local communities
7. Changes in program and services
8. Support for community-based programs and services such as Healthcare for the Homeless, Poisson Dental, and Doorways

### Potential Benefits

- Long-term financial and operational stability and viability for CMC and its affiliates.
- Continued commitment to community-focused practice and mission.
- Creation of a Foundation to maintain the charitable assets in the local community.
- Preserving the continued provision of Catholic healthcare at CMC.
- Maintained access for services close to home for all communities in Manchester.
- Investments in clinical programming, workforce development, and infrastructure.
- More support for the clinical staff in pursuing continuous quality improvement, population health management, and adoption of best practices.
- Expanded capacity at CMC by offering more services, specialties, and sub-specialties.

### Potential Concerns

- Impact of for-profit healthcare entity incentives on the community and extraction or redirection of local resources for previous charitable mission and purposes.
- Reduction in existing scope of services, with a special concern regarding labor and delivery, primary care, and behavioral health
- Effect on community members with low incomes or who are uninsured, charity care policies and eligibility, and collaboration with local safety-net providers, including the Amoskeag Health, Healthcare for the Homeless, Poisson Dental, and Doorways.
- Foundation created will be underfunded to sustain current community programs, and there may be a gap in services during transition to Foundation.
- Potential change in referral relationships and providers, including a possible incentive to use other HCA owned NH hospitals.
- Healthcare price increases, health insurance premium pressures, and payer network disruptions.
- No guarantees of maintaining or improving upon current healthcare quality and patient outcomes.

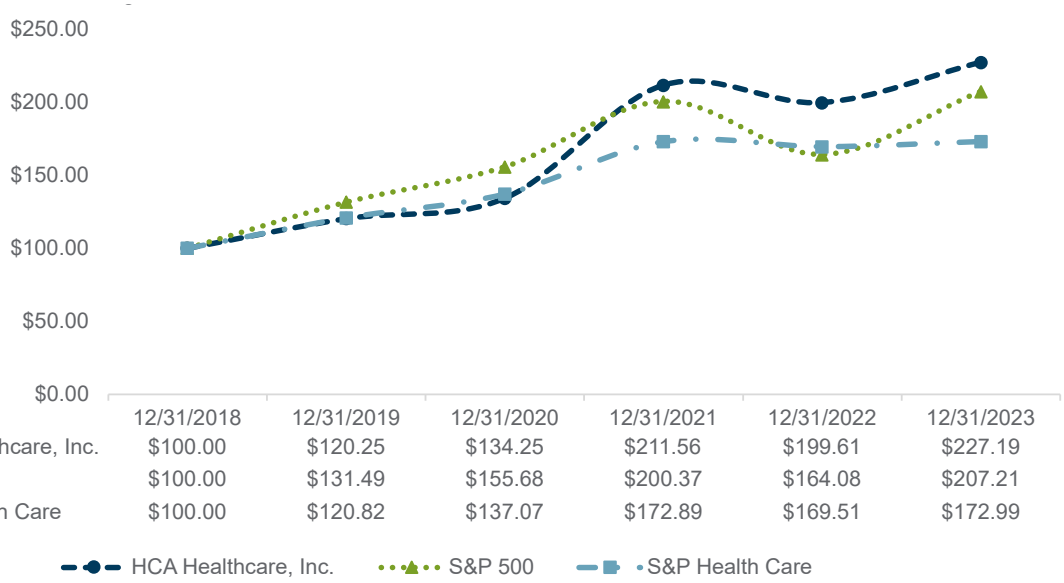
## PROPOSED TRANSACTION: OVERVIEW OF HCA AND CMC

### HCA

- Corporate Office – Nashville, TN
- Owns and operates facilities in 20 states and the United Kingdom, including:
  - More than 180 hospitals
  - Approximately, 2,400 sites of care (surgery centers, free- standing emergency rooms, urgent care centers, home health and hospice agencies, and physician clinics)
- In 2023, HCA had over 300,000 employees and more than 43 million patient encounters
- Patient service revenue was $64,968,000 in 2023, a 7.8% increase over 2022

**Stock Performance Graph Comparison of 5-year Cumulative Total Run**

Among HCA Healthcare, Inc., the S&P 500 Index and the S&P Health Care Index




| | 12/31/2018 | 12/31/2019 | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 |
|---|---|---|---|---|---|---|
| HCA Healthcare, Inc. | $100.00 | $120.25 | $134.25 | $211.56 | $199.61 | $227.19 |
| S&P 500 | $100.00 | $131.49 | $155.68 | $200.37 | $164.08 | $207.21 |
| S&P Health Care | $100.00 | $120.82 | $137.07 | $172.89 | $169.51 | $172.99 |

The graph shows the cumulative total return to our stockholders for the five-year period ended December 31, 2023, in comparison to the cumulative returns of the S&P 500 Index and the S&P Health Care Index. The graph assumes $100 invested on December 31, 2018 in our common stock and in each index with the subsequent reinvestment of dividends. The stock performance shown on the graph represents historical stock performance and is not necessarily indicative of future stock price performance.

### CMC

- One of NH's largest health systems, with over 180,000 patients each year
- Licensed for 330 beds
- Over 400 affiliated medical staff providers and more than 3,000 employees
- Home of the New England Heart & Vascular Institute (NEHVI), nationally renowned and rated among the top cardiovascular programs in the country

### Financial Considerations Proposed

- CMC and the existing operating affiliates will become for-profit.
- The acquisition will include substantially all assets, liabilities, and operations associated with CMC. The transaction does not involve certain assets, including St. Peter's Home and CMC's interest in the Bedford Ambulator Surgery Center.
- Ownership of CMC and subsidiary assets will change as a result of this transaction. The assets will be owned by HCA and a Foundation will be created devoted to the charitable purposes of the CMC Transaction Parties.

### Proposed Investments

- A Foundation will be created as a result of CMC's sale, and all the cash proceeds will be paid to the newly formed Foundation
- Capital Commitments: **$200 million**
  - Capital improvements at CMC over a period of 10 years to potentially improve infrastructure, expand capacity, and improve patient experience.

### Clinical Service Changes: Text from Acquisition Agreement*

HCA identified service-line enhancements that would elevate the Hospital's clinical service offerings, including: trauma and emergent care, oncology services, and the Hospital's nationally recognized NEHVI.

*"With HCA's resources, the Hospital will have the opportunity to expand its existing capabilities with access to data-empowered clinical and operational tools that enable residents of Manchester, New Hampshire to receive high quality, cost-effective healthcare services they deserve."*

*Language from Joint Notice to the Director of Charitable Trusts, dated June 28, 2024.

## COMMUNITY HEALTH NEEDS AND CMC INVESTMENTS

| Greater Manchester Community Health Needs Assessment (2022) | Community Programs/Resources |
|---|---|
| Reduce and Prevent Substance Misuse<br>Need for elder services | The Doorway of Greater Manchester |
| Improve Access to Quality Preventive Care, Medical Care, and Behavioral/Mental Healthcare | Healthcare for the Homeless<br>Maternity Services<br>Roots for Recovery |
| **Financial barriers:**<br>Lack of health insurance or cost of deductibles/copays<br>Cost of dental services | Healthcare for the Homeless<br>Poisson Dental Program<br>Medication Assistance Program<br>Financial Assistance |
| **Access barriers:**<br>Transportation<br>Lack of providers in a geographic area | CMC is on Manchester's Transit Authority's bus route<br>CMC's Specialty and Primary Care Services |

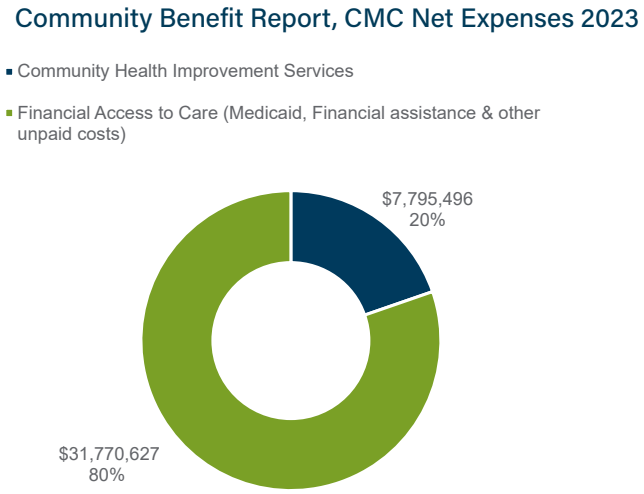
As stated in the 2023 Community Benefits Plan Report, "*The heart of Catholic Medical Center is to carry out Christ's healing ministry by offering health, healing, and hope to every individual who seeks our care.*"

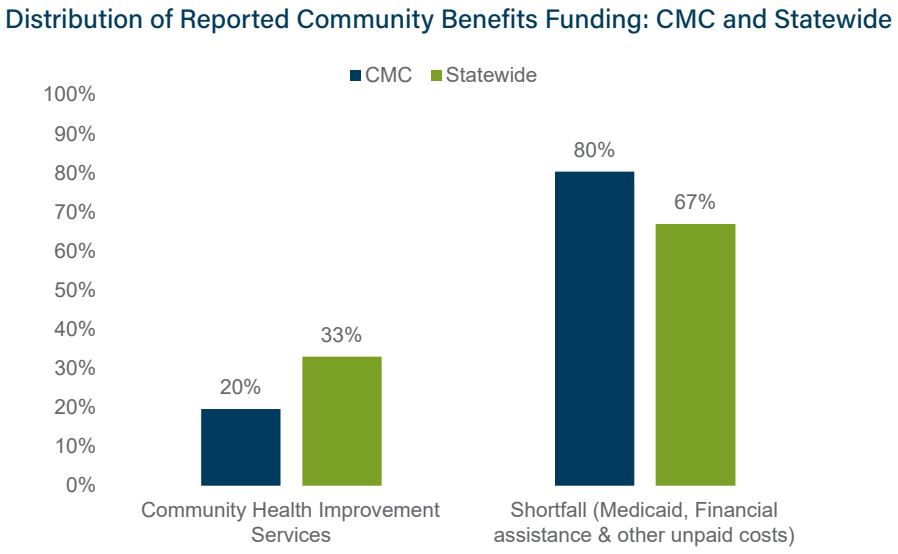
This report identifies $3.7 million in net expenses provided for community health improvement activities outside of direct health services. This amounts to 0.6% of CMC total operating expenses. CMC identifies an additional $4.1 million as subsidized health services, bringing CMC's total community health improvement expenses to 1.5% of total expenses.

CMC also reports $31.8 million to cover costs that exceed payments received for patients covered by Medicaid and other financial assistance—for a total of approximately $39.6 million in community benefit expenses. As such, direct outlays account for about 32% of CMC's reported community benefit expenses, with the remaining 68% resulting from CMC's reported costs exceeding payments received from Medicare and Medicaid.

CMC's reported distribution of community benefits funding differs from the distribution across New Hampshire hospitals statewide, with approximately eighty 80% of charitable funds attributable to costs exceeding payments received from Medicaid and other financial assistance costs compared to 67% statewide.

| CMC Community Benefits Plan Report, Community Improvement Expenses (2023) | |
|---|---|
| Community health improvement services | $1,800,761 |
| Health professions education | $1,230,581 |
| Cash and in-kind contributions | $598,769 |
| Research | $6,476 |
| Community-building activities | $89,537 |
| Total community benefit – not direct health services | $3,726,124 |
| Subsidized health services | $4,069,372 |
| Total, including subsidized health services | $7,795,496 |

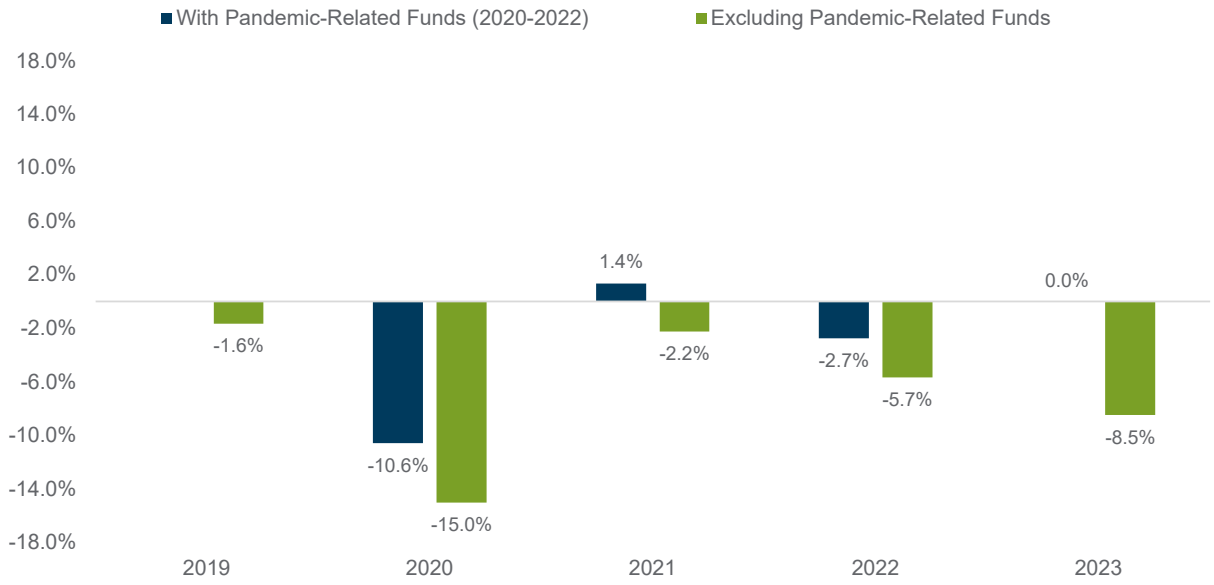


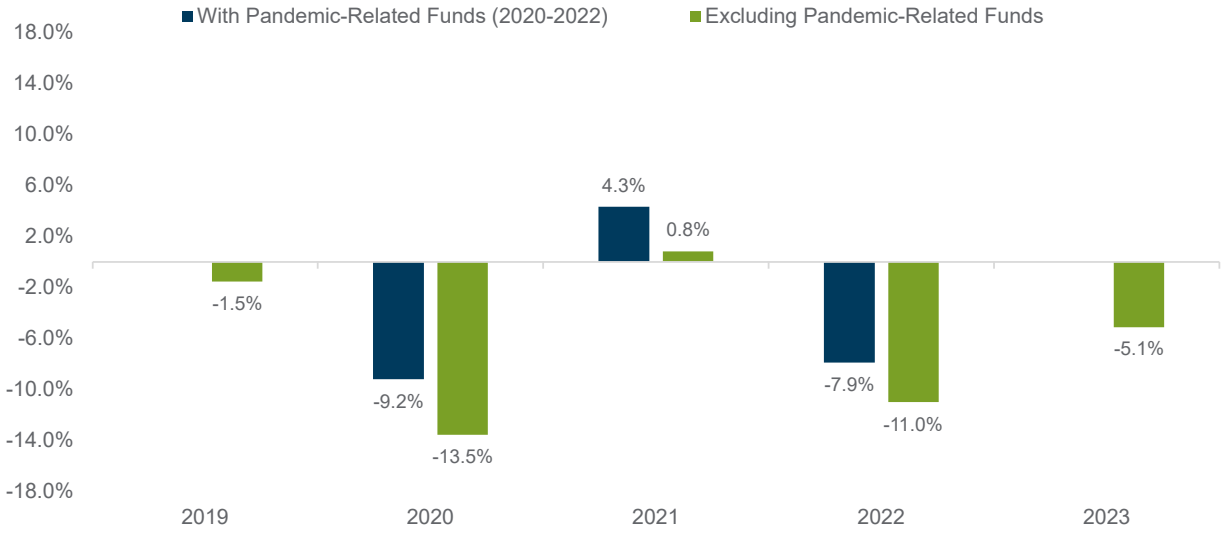
## HOSPITAL FINANCIAL POSITION

### Operating Margin with and without Pandemic-Related Funds

Except for 2021, CMC has had a negative operating margin over the past five years, even including pandemic-related funds totaling $50,418,500: 2022 (15.1 million), 2021 ($18,218,500 = 17.6 million + $618,500 Forgiveness of Paycheck Protection Program (PPP) Loan), 2020 (17.1 million).




### Total Margin with and without Pandemic-Related Funds



## QUALITY AND COST OF CARE: HOW DOES CMC COMPARE?

CMS Hospital Public Quality Reporting Data

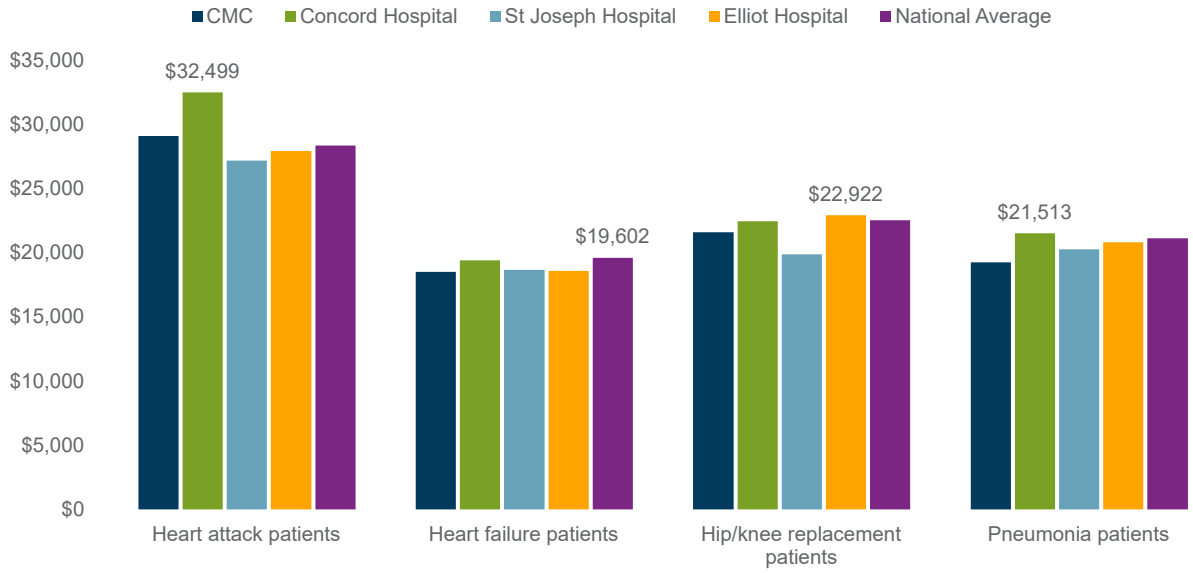

*The Overall Star Rating is calculated by taking the weighted average of the hospital's scores for mortality, safety, readmission, patient experience, and timely and effective care.

CMC compared to other hospitals owned by HCA in New Hampshire


Source: CMS.gov. Hospital Quality Initiative Public Reporting
https://www.medicare.gov/care-compare

## CMS Public Reporting Data – Payment and Value of Care

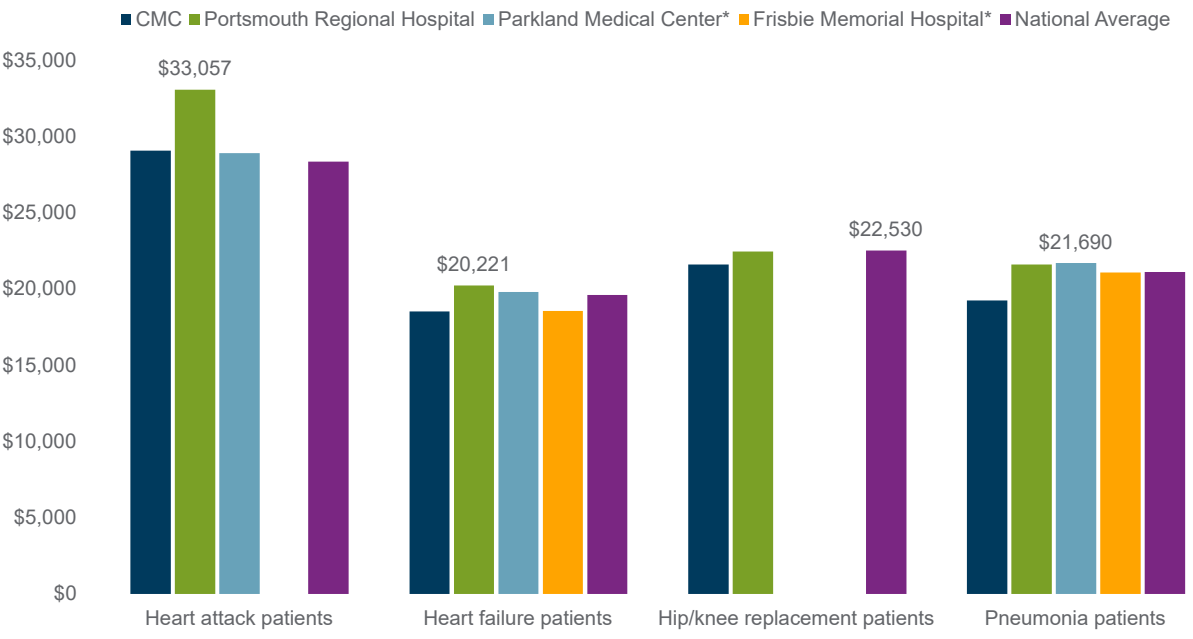
Cost Comparison - Medicare Payments for Episodes of Care




- Overall, Medicare payments at CMC did not substantially differ from the national average for any of the four services reported.
- Payments for patients at Concord were higher for heart attack patients.

## CMC compared to other hospitals owned by HCA in New Hampshire

Cost Comparison - Medicare Payments for Episodes of Care




*Number of cases too small: heart attack at Frisbie and hip/knee at Frisbie and Parkland.

Source: CMS.gov. Hospital Quality Initiative Public Reporting https://www.medicare.gov/care-compare

- Overall, Medicare payments at CMC were lower than the hospitals owned by HCA.
- Payments for patients at Portsmouth Regional were higher for both heart attack and heart failure patients.