

Rockdale Citizen

RMC passes \$121 million 2009 budget *Could be hospital's last as a public facility*

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Staff Reporter

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CONYERS - Rockdale Medical Center officials approved a \$121 million budget this week for the new fiscal year in what could be the hospital's last budget as a public facility.

The operating budget for RMC's 2009 fiscal year that began Wednesday showed a 3.7 percent increase from the previous year. RMC Chief Financial Officer Sandra Albrecht reported the hospital was expected to finish the 2008 fiscal year at \$116 million in net operating revenues.

Hospital administrators based the new budget on an increase in outpatient admissions and improved cash flow that had been a bright spot since January.

The average hospital census for FY 2008 was 85.8 patients per day through Sept. 1. RMC reported 7,575 patient admissions for last year and was on track to reach budget projections of 8,235 admissions.

RMC officials based the new budget on a projected 8,480 patient admissions.

However, the hospital's new budget showed an anticipated operating loss of \$8 million and finished FY 2008 with a \$6.2 million operating loss, Albrecht said.

Financial troubles began when RMC suffered a \$13 million operating loss in 2005 spurred by costs of expanding the emergency department and construction of the East Tower. That caused the hospital to violate its bond covenants agreement with its creditors.

As a result, RMC's creditors tightened their cash reserve requirements for the hospital. RMC officials have said the new debt service placed on the hospital had made it difficult to invest in capital improvements and compete with other hospitals in the area, which is the reason they have sought to sell the hospital since last year.

Albrecht explained the hospital is feeling the effects of the current credit crisis and have seen its interest rates paid on the hospital bonds rise substantially. That alone added \$1.1 million to RMC's total expected operating loss.

"The turmoil in the capital markets has negatively impacted Rockdale's interest cost on our variable rate debt," she said. "Also, the downgrade of our bond insurer, Radian, and the small rating downgrade RMC received from Standards and Poor's during 2008 has caused interest rates to increase for 2009."

RMC entered into an agreement with LifePoint Hospitals Corp. to purchase the 138-bed facility in a deal involving \$110 million. Brentwood, Tenn. based LifePoint agreed to purchase the hospital for \$80 million with a promise to spend \$30 million in capital improvements over the next six years.

The Georgia Attorney General's office must sign off on the proposed sale, as required by state law concerning acquisitions of public facilities to private companies. A public hearing to review the sale is scheduled for 5:30 p.m., Nov. 5, in the East Tower classrooms of Rockdale Medical Center.

The Attorney General's office will then be required to make a decision on the sale within 30 days of the hearing.

The announced agreement with LifePoint follows a nearly yearlong courtship with Signature, based in Houston, Texas. Signature bailed out of the proposed sale in May after it could not find a partner to finance the deal, in part caused by the tightening credit market.

If the deal goes through, RMC's 2009 budget will be shelved as its operation is expected to be spun into the budget of a larger, for-profit company.

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At a glance

- What: A public hearing concerning the proposed sale of Rockdale Medical Center to LifePoint Hospital Corp. of Brentwood, Tenn. The company is offering to purchase the 54-year-old public hospital for \$80 million and promises to spend an additional \$30 million on capital improvements to the facility over six years.
- When: 5:30 p.m., Nov. 5.
- Where: RMC's East Tower classrooms, 1412 Milstead Ave., Conyers.