

Rockdale Citizen

Rockdale Medical Center: Sale met with little opposition

Jay Jones
Staff Reporter

Friday, November 07, 2008

CONYERS - For the third time in less than a year, a public hearing was held Wednesday concerning the sale of the publicly owned Rockdale Medical Center to a for-profit corporation.

The hearing was hosted by the Georgia Attorney General's Office in RMC's East Tower classrooms. Under state law, the Attorney General's Office is required to ensure proper transfer of public property to private entities and give final approval of the sale.

LifePoint Hospitals Inc. has offered to purchase RMC for \$84 million, with a promise to spend \$30 million in capital improvements over the next six years. The Rockdale County Hospital Authority will have the right of first refusal if LifePoint decides to put the hospital up for sale.

No one spoke in opposition Wednesday to the sale of the 138-bed hospital to the Nashville, Tenn.-based company.

Most of the speakers who stood up to comment were RMC employees, administrators and physicians, and all wholeheartedly supported the sale. Many said LifePoint was the best option available to keep the hospital open and as an acute care provider for the community.

Ruth Roebuck, a registered nurse, said the hospital had played a significant role in her life beyond just providing a job and recounted how her grandfather was treated there. She said "The Rock," as she called the hospital, was a fixture in the community and that LifePoint's offer was a way to continue that tradition.

The first two hearings, held in November 2007 and January 2008, involved an attempt by Signature Hospital Corp. of Houston, Texas, to purchase the local hospital for \$87.7 million. Signature officials withdrew their offer in May after they were unable to secure financing for the transaction, citing the recent national credit crisis as the primary reason.

As a result, Rockdale Hospital Authority members started the process again to search for a buyer. In August, Life Point and RMC entered into exclusive negotiations.

LifePoint officials said Wednesday they had the cash on hand to cover the proposed \$84 million purchase as well as the additional \$30 million for capital investment in the hospital over the next six years.

David Dill, LifePoint vice president and chief financial officer, explained that the cash flow from the company's existing 48 hospitals was adequate to cover the RMC purchase and 85 to 95 percent of the total cost could be deposited after approval from the Attorney General's Office.

As a good-faith gesture, LifePoint has already placed \$5 million in an escrow account for the sale, Dill said.

Dill also said the company was prepared to spend \$4 million in each of the first three years of

ownership as part of the \$30 million in promised capital improvements. It was a decision on LifePoint's part for its strategic plan for the hospital, but also it was intended as another sign of good faith.

William Carpenter, LifePoint president and CEO, indicated the company was initially reluctant to give the Rockdale County Hospital Authority the right of first refusal if LifePoint sought to sell the hospital within seven years, but ultimately agreed. He said the company was "excited about the opportunity" to make RMC its 49th hospital and its first in Georgia.

"It's our intention to be here for a long time," he said.

Along with the \$114 million in cash and capital improvements, the proposed sale agreement with LifePoint included establishing a nine-member board of trustees made up of the hospital CEO, three physicians and five citizens, two of whom will be appointed by the Hospital Authority.

After the sale and paying off of the debt, the Hospital Authority will be left with about \$40 million. The money will be held in an account to be used if RMC were to buy back the hospital from LifePoint. Interest earned from the money will be used to fund a grant-giving program to provide health care to the community, said Ethel Boyle, chairwoman of the Rockdale County Hospital Authority.

RMC Board of Directors Chairman Richard Simons said that after the Signature deal collapsed, the board reassessed whether it should remain an independent entity. Simons said that all other options showed the hospital sinking deeper in debt as patient volume failed to keep up with expenses and debt service.

RMC officials initially sought a buyer after the hospital incurred a \$15 million operating loss in 2005 following an expansion and a loss of accounts receivables from a computer system conversion. The shortfall in turn caused the hospital to violate a bond covenant agreement involving part of its \$87 million in outstanding debt.

Throughout the process with Signature, some community members opposed the sale, arguing that the hospital was undervalued in order to expedite the transaction.

The Attorney General's Office had approved the sale with Signature in March, even after terms of the original sale were altered. During Wednesday's hearing, Bridget Bourgeois, an independent financial advisor retained by the Attorney General, said her review of the agreement showed the value of the hospital fell within an acceptable price range based on transactions of hospital of a similar size and operation.

The Attorney General will accept written comment through Monday, then have 30 days to rule if the sale falls within state law.

Jay Jones can be reached at jay.jones@rockdalecitizen.com.