

Rockdale Citizen

Closing date for RMC sale moved

Officials: Set for the end of January

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CONYERS - The pending closing date for the sale of Rockdale Medical Center to LifePoint Hospitals has been pushed back to the end of January, but hospital officials remain confident the transaction will be completed.

Rockdale County Hospital Authority Chairwoman Ethel Boyle said the timing of the report issued by the state Attorney General's Office was the main reason for the delay.

The Attorney General released a report the day before Thanksgiving giving its approval to the sale of the public hospital to a private company. By that time, however, officials with RMC and LifePoint agreed it would not be possible to complete the transaction by the end of the year.

"We are moving forward and have signed the asset purchase agreement and closing at the end of January is a more logistics thing with accounting than anything else," Boyle said.

RMC Chief Financial Officer Sandra Albrecht also said the delay from the previous closing date of Jan. 9 was caused by requirements of an "accounting and

operations nature."

She said setting the new date on Jan. 31 date is likely due to the fact that most accounting practices have month-end closings.

LifePoint is seeking to purchase RMC for a package worth up to \$111 million. The Nashville, Tenn.-based company has agreed to pay the Hospital Authority \$80 million cash and has promised to invest \$30 million in capital improvements to the hospital over a period of six years after the sale is finalized.

The announcement of the new closing date followed the presentation of an audit of RMC's finances during a joint meeting of the RMC Board and Hospital Authority on Thursday.

The audit conducted by the accounting firm of Pershing Yoakley and Associates of Knoxville, Tenn., showed little had changed in the financial state of the local hospital over the past two years.

Albrecht said the audit showed an expected decrease in cash and investments by about \$5.8 million as a result of capital improvement expenditures, due primarily to upgrades to instruments in the operating rooms.

"Even though this has been a year in transition from the transaction perspective, we still had a hospital to run and still have services to provide to the community," Albrecht said. "We very much saw the need to invest in capital equipment directly related to patient care and product line excellent in surgery."

RMC had operating losses of \$6.7 million this past year and \$6.8 million in 2007. The losses stem in part from debt maintenance and a loss of account receivables following a computer system conversion.

However, using the accounting calculation of EBITDA - earnings before interest, taxes, depreciation and amortization - the audit showed a positive cash flow of \$5.33 million, Albrecht said.

The bulk of RMC's \$83.3 million in long-term debt is due to the construction of the East Tower and expansion of the Emergency Department.

RMC recently used \$12 million in cash reserves to pay off some bond debt that made up a portion of the hospital's \$83.3 million in long-term debt and left \$35 million in cash and investments. The hospital bond covenants require a minimum of 65 days of operating costs to be held in reserve. Albrecht said the current reserves amount to 142 days.

However, further capital improvements have had to come from dipping into RMC's cash reserves, which is something Albrecht said the hospital can not continue to do.

"The situation over time was that we've chewed through cash to purchase equipment that we need to remain viable," she said. "Eventually, we have to stop and that would get us into an entrenched mode, which is something we try not to get in."