



Tulare Local Healthcare District

REQUEST FOR PROPOSAL

Potential Strategic Affiliation Partner / Indications of Interest

May 25, 2018



INTRODUCTION

The Tulare Local Healthcare District (TLHD or the District) invites you to submit a proposal regarding your interest in a potential affiliation arrangement. TLHD owns and operates the 112 bed Tulare Regional Medical Center (TRMC or the Hospital), two rural health clinics and related facilities that includes a market area of approximately 450 square miles on the western side of Tulare County. Tulare County's population is 525,000 and 85,000 residents live within The District's boundaries. The Hospital is located in the north-side of the City of Tulare just off of Highway 99. Approximately 80% of the Hospital's admissions originate from the District residents.

TLHD currently envisions an arrangement that initially provides financial and operational assistance to help the District re-open, re-staff and ramp-up operations at TRMC. This could culminate by entering into a twenty-five-year operating lease of their facilities. The District is also interested in other potential transaction or arrangements that you feel would be more advantages to meeting its goal. The current timetable for the Hospital to re-open is as soon as possible but not later than October 2018. The goal is for the affiliation agreement as well as for the operating lease transaction to be approved by the District Board by early July and the voters in November 2018.

This RFP is being sent to a limited number of potential affiliation partners with whom the District has enjoyed a relationship with or who have previously expressed interest in such a possible affiliation. The following timeline outlines the process for Board approval and selection of an affiliation partner:

June 5, 2018 – Indication of interest to respond to the RFP

June 6 – 15, 2018 – Respondents complete due diligence and tour of the facility

Week of July 17, 2018 – Interviews and Presentations to the Board Ad-Hoc Committee

Week of June 23, 2018 – Ad-Hoc Committee recommendation to the Board of selected organizations

June 27, 2018 – Presentations by Selected Organizations to Community and Board at monthly District Board meeting

First week of July – Letter of intent signed by Board and selected organization

BACKGROUND

The District had a decline in financial results over last two years due primarily to a very onerous and costly management contract in addition to an acrimonious relationship with their prior management company. The prior management company's contract was terminated through Chapter 9 bankruptcy proceedings in November 2017. As a result of the management agreement termination and the Chapter 9 bankruptcy proceedings, the District, at the request of the California Department of Public Health (CDPH), agreed to temporarily suspend the hospital

license and close the Hospital until sufficient working capital could be raised to reopen. During this period, its facilities are presently closed and its license is on-hold with the State. CDPH has been working with the District's current management to reopen the Hospital and has committed to re-survey the Hospital within two weeks of notice that the Hospital is ready to reopen.

Under the leadership of its new publicly elected five-member Board, the District is actively and aggressively moving forward to re-open the Hospital on or before October 2018. With the assistance of various consultants and attorneys, the District has, and will continue to, develop and implement the various plans, projections and reports required by the State and Federal regulators and others to accomplish that result. Any affiliate lease arrangement of the Hospital's main facilities would require a vote of the District's voters which would occur in November 2018.

Financial projections which are available upon request, indicate the District will require approximately \$10 Million in financial and operational assistance over the next six to twelve months to re-open, re-staff and ramp-up hospital operations. The need for additional working capital of \$12 Million is projected over the first 9 months of operation to achieve a cash flow breakeven position. The projections also indicate that an annual operating profit of approximately \$8 Million can be achieved once the hospital achieves an annual average occupancy of 40 beds. Offering to provide such assistance will be an essential part of the District's decision in choosing an Affiliate/leasing partner. Further, the Affiliate's operating lease could be used to help secure an issue of lease revenue bonds to provide, in part, the financing needed to re-open, re-staff and ramp-up the Hospital's operations.

SUGGESTED RFP PRESENTATION TOPICS AND RESPONSES

1. Working with Affiliates

- Please provide a statement of your general approach to working with affiliates.
- Which affiliates do you now have?
- Do you presently have other long-term operating leases in place with affiliates?
- Is there mutual investment of resources in any of these examples?
- Has there been an equity investment in any of these examples?

2. Possible Synergies of Combination

- What potential synergies might you envision through this affiliation?
- How do you see the potential for cross referrals and increasing market share?
- Do you envision staffing/operational/cost savings?
- Will this affiliation assist TLHD/TRMC in supply chain management?
- Will this affiliation assist TLHD/TRMC in revenue cycle management?
- How might this partnership/lease arrangement affect TLHD/TRMC reimbursement formulas?

3. Preferred Legal & Organizational Structure

- Do you have an initial thought as to a preferred legal and/or organizational structure?

- Do you have a preferred form of long-term operational lease?

4. Potential for Investable Resources

- As stated, projections indicated a short-term need for a \$10 million loan or credit facility to re-open and an additional \$12 million need to stabilize the hospital operations. What type of credit and on what terms would you be willing to initially provide?

5. General Statement

- Why do you believe your organization is a superior candidate for TLHD/TRMC to partner with?

RFP GENERAL CONDITIONS

All information contained in this RFP is considered to be the exclusive property of TLHD. Recipients are not to disclose under any circumstances that they have received this RFP or any of its contents. TLHD reserves the right to accept or reject any or all proposals in our sole discretion. Further, TLHD reserves the right to negotiate with one or more responders at any time in order to further evaluate or accept that proposal which best serves our interests.

In good faith, your proposal should remain open for consideration until discussions or negotiations cease or are consummated.

DUE DILIGENCE VISIT

In consideration of mutual due diligence considerations, the management of TRMC and TLHD will be available to meet with the responder for an on-site visit at the facility at a mutually convenient time and date but prior to June 11th, 2018.

QUESTIONS & ADDITIONAL INFORMATION

Please direct any questions and/or requests for additional information by e-mail to the below recipients. Please note that Wipfli LLP (Wipfli) is serving as the strategic consultant to TLHD to assist with the analysis and execution of a potential affiliation transaction.

PROPOSAL SUBMISSION INSTRUCTIONS

Please submit your response to this RFP via e-mail (PPT or PDF formats) no later than Close of Business Monday, June 18th, 2018 to the following recipients:

1. Mr. Rich Gianello, Partner, Wipfli

rgianello@wipfli.com

2. Mr. Dan Heckathorne, ICFO, TRMC

Dheckathorne@wipfli.com

3. Mr. Tony Taddey, Director, Wipfli

ttaddey@wipfli.com

We appreciate your interest in us and look forward to further discussions with you. Should you have further questions or comments, please don't hesitate to contact Richard Gianello, the project facilitator at (510) 678-0066 or rgianello@wipfli.com.

Very Truly Yours,
Tulare Regional Medical Center



Larry Blitz, Interim Chief Executive Officer

On Behalf Of:
The Tulare Local Healthcare District