

April 6, 1998

**THE BOARD OF COUNTY COMMISSIONERS
DURHAM, NORTH CAROLINA**

Monday, April 6, 1998

9:00 A.M. Worksession

MINUTES

Place: Commissioners' Room, second floor, Durham County Government
Administrative Complex, 200 E. Main Street, Durham, NC

Present: Chairman MaryAnn E. Black and Commissioners William V. Bell, Joe W.
Bowser, Becky M. Heron, and Ellen W. Reckhow

Absent: None

Presider: Chairman Black

Chairman Black called the Worksession to order.

Citizen Comment—Sam Reed

Sam Reed, Editor of the Trumpet of Conscience, commented, "I come before the Commissioners this morning with a request to join the nationwide commemoration of Dr. Martin Luther King Jr.'s tragic event that took place 30 years ago in Memphis, Tennessee. I'd like the Commissioners to urge all the citizens of Durham and Durham County to join in remembering the legacy of this great American and to carry on the work that he left here in Durham to make Durham a better community for all people of this country."

Citizen Comment—Ralph McKinney

Mr. Ralph McKinney requested time on the agenda to make comments to the Board of County Commissioners.

Mr. McKinney expressed concern about people being targeted because of race, sex, and/or social status.

Citizen Comment—Edward C. DeVito Sr.

Mr. Edward C. DeVito Sr. requested time on the agenda to make comments to the Commissioners regarding the Durham Public Schools dropout rate. He followed Durham

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Public Schools ninth graders from 1994 to their senior year in 1997; there was a 43 percent dropout rate. Enrollment in the local school system was 2,200 students in 1994 and 1,255 students in 1997. The Board of County Commissioners should hold the Durham Public Schools Board of Education accountable to these statistics. Something must be done.

The Commissioners asked Mr. DeVito several questions about the school dropout statistics.

Commissioner Bell said the Commissioners will ask the school board (during the budget process) for an action plan to address the problem.

Vice-Chairman Reckhow said the Commissioners are taking the dropout situation seriously. Site-based management committees at several high schools are developing specific plans to deal with this problem.

Final Summary of Proposals to Lease Durham Regional Hospital

Mr. Phil Geissinger, Public Consulting Group Inc., and the County Manager presented a final summary of proposals for the lease of Durham Regional Hospital. This summary revolved around the Guiding Principles stated by the Board of County Commissioners. Mr. Geissinger and the County Manager were also prepared to make a recommendation as to the entity which best meets the Commissioner-adopted Guiding Principles.

County Manager Thompson distributed to the Commissioners the summary on the disposition of the Durham County Hospital Corporation as of April 6, 1998. Mr. Thompson said, "We would like to go through the summations very rapidly. There are many negotiated points I need to go through with you as Phil goes through his presentation. There is an update on net present value of all the deals, both for a 20-year period and a 34-year period. After that, the Chair will open the meeting for Commissioner questions and clarifications."

Mr. Geissinger reviewed the executive summary dated April 6, 1998. He gave the Commissioners an overview of the three proposals—Duke University Health System (Duke), Health Management Associates (HMA), and Tenet Health System (Tenet). He also summarized the primary activities in the process to lease Durham Regional Hospital. The summary follows:

<u>Summary of Primary Activities Taken in Process</u>	<u>Dates</u>
Management Presentations by the DUMC/DCHC Collaboration Initiative Completed	October 13, 1997
Solicitation of Proposals for Bids on DCHC Disposition Authorized	October 13, 1997
PCG Follow-Up Session With Commissioners Regarding DCHC/ DUMC proposal	October 27, 1997

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Public Hearing on Resolution of Intent Regarding DCHC/DUMC and Bid Solicitations	November 3, 1997
Deadline for Submission of Response to a Solicitation to Bid	November 21, 1997
Public Hearing—PCG Review of Responses to a Solicitation to Bid	December 8, 1997
Q & A Process With All Proposers	December 21, 1997- January 8, 1998
Proposer Working Session With Commissioners	January 13, 1998
Public Hearing—Summary of Proposals and Q & A Process	January 27, 1998
Site Visits to Selected Hospitals:	February 10-18, 1998
• Riverview Regional Medical Center, Gadsden, AL (HMA)	
• Brookwood Regional Medical Center, Birmingham, AL (Tenet)	
• Midwest City Regional Medical Center, Midwest City, OK (HMA)	
• Frye Regional Medical Center, Hickory, NC (Tenet)	
• Duke University Medical Center, Durham, NC (DUMC)	
HMA and Tenet Presentations to DCHC Board	February 11-12, 1998
DRH Physician Discussion Meeting	February 19, 1998
Public Hearing—Review of Site Visits	February 23, 1998
DRH Physician Meeting (Full Medical Staff) With Proposers	February 24, 1998
Commissioners/DCHC Board/Physicians Conduct Site Visits:	March 12-13, 1998
• Riverview Regional Medical Center, Gadsden, AL (HMA)	
• Brookwood Regional Medical Center, Birmingham, AL (Tenet)	
DCHC Board Meeting—Presentation by Proposers	March 18, 1998
DRH Physicians Vote on Preferred Proposer	March 23, 1998
DCHC Board Vote on Preferred Proposer	March 25, 1998
Commissioner Meeting—County Manager Recommendation on Preferred Proposer	April 6, 1998

The presentation continued with an analysis of the three solicitors broken down by governance, operations, and finances. The latest changes were noted and discussed.

The Commissioners asked several questions and made comments to which County Manager Thompson and Mr. Geissinger responded.

County Manager Thompson conducted the next portion of the meeting by discussing Dr. Ralph Snyderman's letters dated April 3 and April 6, 1998. Dr. Snyderman is the Chancellor for Health Affairs at Duke University Medical Center.

The Commissioners had a lengthy discussion concerning the letter dated April 11, 1998 from County Manager Thompson to Dr. Snyderman.

At the request of Chairman Black, County Attorney Chuck Kitchen addressed the legal question regarding the payment of the capital at the end of ten years.

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After a lengthy discussion, the following motion was made.

Commissioner Heron moved, seconded by Vice-Chairman Reckhow, to reduce the number of proposers to two--Duke University Health System and Tenet Health System--and give the Manager and the consultant a few more days to bring back to the Board a financial deal from both Duke and Tenet. Then the Board will decide what is best financially and who will provide the best quality of care. The Manager will be instructed, at that time, to enter into an agreement with the proposer of choice. The agreement will be brought back to the Commissioners for the work to begin again.

Chairman Black asked for any discussion on the motion.

Commissioner Bell said he had a substitute motion to make.

Chairman Black called for the substitute motion.

Commissioner Bell made the following motion:

“I guess the substitute motion that I am making—I’m going to preface it by saying, when I started out with this process, I honestly didn’t know where I was or where the preferences were. We eliminated down to three. After we made the tour, in my opinion, from my perspective, I pretty much had eliminated it down to two hospitals and I’m saying publicly the two were Duke and Tenet. I had asked in my conversations with the Manager—and that’s pretty much how we had been following the information through—I tried to say, we need to put on the table what we as a Board want. And see who comes closest to meeting that. And, to me, that was pretty much dictated by the guiding principles that we’ve all pretty much agreed to.

Based on those guiding principles in terms of what’s being presented as of today, I think, in my opinion, Duke comes closest to meeting those principles. I can tell you the one issue that really sticks with me that it appears that Tenet is not changing on, is the governing board. It’s very important to me that the Board of County Commissioners have the authority to appoint members to Durham Regional Hospital Board, the governing board. Tenet has talked about a

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nominating process, not an appointment process. The conversation I had with the gentleman Saturday basically said that ultimately, their corporation would have veto powers over the appointment of the Board. As I read it here, that doesn't happen with Duke.

I would feel comfortable in asking this Board to authorize the Manager, along with any other persons on this Board, and I preface it by saying the Chairman and maybe the Vice-Chair—whoever else would go along with it—to get involved with negotiations with Duke University Hospital Center to address the concerns that have been raised here with respect to this term paper that we have, to come back with a more definitive agreement that this board can sit down and look at. And based on that definitive seed agreement then decide if Duke is in fact the preferred provider. But right now, they would be the preferred provider in my opinion. And my motion would be to move forward under those conditions.

But we're talking about a lease agreement, and ultimately, if it's leased to Duke, it's going to have to come back to us for our approval. So, that's why I think we ought to be involved up front in dealing with that. So, I really see it as a three-party agreement. But I just have enough information now that I feel comfortable in moving forward with Duke being the preferred provider. Providing we can work out the details of the concerns that have been raised here. And I think that can be done. So, that's the motion."

Chairman Black asked for a second on the substitute motion.

Commissioner Bowser seconded the substitute motion.

The Commissioners had a lengthy discussion regarding the two motions on the floor.

After comments were made by all the County Commissioners, Chairman Black called for the vote on the substitute motion.

The substitute motion carried with the following vote:

Ayes: Bell, Black, and Bowser

Noes: Heron and Reckhow

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After the vote, Commissioner Heron said she would have felt more comfortable supporting the motion if Duke had presented a legitimate proposal initially. "The first thing I heard was that Duke wanted Durham Regional Hospital for \$1 per year. I'm disappointed in the vote because in a few more days we could have had a unanimous decision on this Board and probably all the Commissioners should have the comfort level that we would like to have. Right now, any bargaining position the County had is gone. I hope for the best."

Commissioner Bell said this motion does not sign the deal with Duke. It simply allows the Manager and the Chairman or her designee to move forward to discuss the concerns that have been raised by this Board. The details are to be finalized and brought back to this Board for approval or disapproval. No one should assume the deal is done. We have a direction, a process we are moving toward to select the preferred provider. If it doesn't work out, we start over again.

Chairman Black said that while we are working on the definitive agreements, we do not have a final deal until the agreements are signed by all three parties. All documents have to be signed before a deal is finalized.

Commissioner Bowser said he was the first Commissioner to support Duke's proposal and would be the first to reject the proposal if the definitive agreement is not best for this community.

Vice-Chairman Reckhow said nothing in my vote should be construed as a lack of support for Duke and she hoped to be able to support the final proposal.

County Manager Thompson said we must make a presentation of what is currently agreed upon by Duke and Durham County. The next part of the process is a term agreement. At that point, the County Attorney should take the leadership role so the Manager can start working on the County budget. The next step is the definitive agreements.

The next hospital presentation will be made at the April 13, 1998 Regular Session.

Adjournment

Chairman Black adjourned the meeting at 12:50 p.m.

Respectfully submitted,

Garry E. Umstead, CMC
Clerk to the Board

GEU:VCS

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