

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

Friday, June 5, 1998

10:35 a.m. Worksession

To review and discuss the lease agreement between Durham County and Lincoln Community Health Center (LCHC). To review the term sheet between Duke University Medical Center and Durham Regional Hospital.

**MINUTES**

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

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

Absent: Commissioner William V. Bell (out of town)

Presider: Chairman Black

Chairman Black said County Attorney Chuck Kitchen will review the term sheet and answer questions.

Mr. Kitchen began the discussion by calling attention to the proposed draft of the lease agreement between Durham County and Lincoln Community Health Center (LCHC). Durham County and LCHC have had no lease agreement for approximately 20 years. The initial lease expired and was not renewed. A lease agreement must be prepared for LCHC's federal grant program. This straight-forward lease expires September 30, 2031 with a rent of \$1 per year. The proposed lease exempts the Emergency Medical Services facilities at LCHC which will remain the property of Durham County.

The County Commissioners asked Attorney Kitchen questions and made comments throughout his presentation.

Mr. Kitchen responded to the questions.

Attorney Kitchen briefly discussed the following two resource guides from the Joint Commission on Accreditation of Healthcare Organizations (the national accreditation body for hospitals):

- 1998 Hospital Accreditation Standards; and

- Comprehensive Accreditation Manual for Hospitals

Accreditations are performed at year ten and year twenty.

The Operating Agreement requires that Durham Regional Hospital receive at least a two (on a scale of five with one being the highest) on patient satisfaction standards.

Vice-Chairman Reckhow requested the following language to establish an intent relative to home healthcare: "it is the intent of the parties hereto to work cooperatively to ensure continued home healthcare services for the indigent citizens of Durham County."

Chairman Black asked County Manager Thompson to speak to this statement.

Chairman Black agreed with the statement. Several side agreements would be prepared and the home healthcare item would be included.

Commissioner Heron said the County Commissioners feel very strongly about home healthcare.

A lengthy discussion ensued.

County Attorney Chuck Kitchen detailed the timeline to finalize the hospital merger. On Monday, June 8, 1998, draft documents will be presented. The documents will be placed in the Clerk to the Board's office on Thursday, June 11, 1998 for public review. The final documents will be presented to the Board of County Commissioners on Monday, June 22, 1998 for approval and will become effective July 1, 1998.

County Attorney Chuck Kitchen continued the meeting by reviewing and answering questions about the term sheet.

Emergency Medical Services at Durham Regional Hospital will not be included in the sublease. The building, parking area, and gasoline area will be released from the lease obligation and remain as Durham County property. All other property will be sublet to Duke University Medical Center.

The Durham Ambulatory Surgical Center control will be transferred to Duke University Medical Center.

Vice-Chairman Reckhow requested a map of the Durham Regional Hospital campus to determine how much real estate will be transferred to Duke.

Commissioner Bowser asked about Durham Ambulatory Care relative to revenues for Durham County once the lease is in effect.

The personal property of Durham Regional Hospital will be transferred to Duke as of July 1, 1998.

Mr. Kitchen and the Commissioners discussed governance as it relates to appointments to the boards. A side agreement will be prepared between Durham County Hospital Corporation and Durham County.

The Commissioners discussed and commented on the responsibilities of the Durham County Hospital Corporation Board of Trustees. The County Attorney and County Manager were included in the discussion.

The chief executive officer position will be a joint appointment by Duke University Medical Center and Durham Regional Hospital boards. The appointment agreement will contain a provision to terminate for cause. The current medical staff will remain at Durham Regional Hospital. The hospital will monitor indigent care and make sure the hospital is accredited. The Lincoln Community Health Center will continue to receive its federal grant through Durham Regional Hospital. Marketing activities will remain at Durham Regional Hospital.

County Attorney Chuck Kitchen said Durham Regional Hospital and Duke University Medical Center will ensure that all patients receive necessary care regardless of their ability to pay.

Chairman Black requested that the Commissioners get all unanswered questions to Attorney Kitchen by this weekend so they can be considered on Monday.

Debt structure and financial obligations were discussed by the County Attorney. Pension obligations will be covered by a side agreement between Durham County and Durham County Hospital Corporation. County funds will not be used for pension obligations.

Mr. Kitchen said Durham County Hospital Corporation will afford various services to Emergency Medical Services provided the services are cost effective to the County.

Duke University Medical Center will provide \$1.5 million to Durham County for Emergency Medical Services and \$2.1 million to LCHC on an annual basis. This payment is in addition to the federal grant the health center receives.

The in-kind assistance will continue at LCHC in the amount of \$2.85 million. The total is just under \$5 million annually for the center.

Employees of Durham Regional Hospital will become Duke University employees. The only exception is Emergency Medical Services employees which will transfer to Durham County.

County Attorney Chuck Kitchen said the foundation will remain in effect. It is not a party to this agreement and will not be affected by this transaction.

The medical staff will remain separate.

Mr. Kitchen said the rental payments are as follows:

- \$3.5 million—lease of facilities per year
- \$1.5 million—support of EMS per year
- \$2.1 million—Lincoln Community Health Center per year
- \$7.1 million—total rental payment per year

The first ten years' lease payment will be a prepayment with an 8 percent discount rate. At closing, the County will get \$23.5 million. The second 10 years is not prepaid and there is no discount. The parties of the lease agreement can terminate the agreement at any time. A party cannot unilaterally terminate the agreement.

Mr. Kitchen said the County is not a part to the support agreement; however, the County is a third party beneficiary to the support agreement and has the authority to enforce it.

Mr. Kitchen briefly discussed the termination clause of the agreement.

Vice-Chairman Reckhow asked several questions about the sublease to which the County Attorney and County Manager responded.

Vice-Chairman Reckhow requested that in Section 8.2.1 of the sublease, "10 days' advance notice" be changed to "30 days' advance notice" for major alterations. In Section 8.1, a ten-day notice should be given for minor alterations.

Vice-Chairman Reckhow said the Durham County Hospital Corporation facility definition needs an adjustment.

Chairman Black thanked County Attorney Kitchen for all the hard work in preparing the definitives.

### **Adjournment**

Chairman Black adjourned the meeting at approximately 1:10 p.m.

Board of County Commissioners  
June 5, 1998 Worksession  
Page 5

Respectfully submitted,

Garry E. Umstead, CMC  
Clerk to the Board

GEU:VCS