

## FREQUENTLY ASKED QUESTIONS

### What assets did UofL acquire on November 1?:

- 5 Hospitals:
  1. Jewish Hospital, including:
    - a. Jewish Hospital Rudd Heart and Lung Center
    - b. Jewish Hospital Outpatient Care Center
  2. Frazier Rehab and Neuroscience Center
  3. Sts. Mary and Elizabeth Hospital
  4. Jewish Hospital Shelbyville
  5. Our Lady of Peace Hospital
- Physician groups affiliated with KentuckyOne
- 4 Outpatient Facilities:
  1. Medical Center Jewish East
  2. Medical Center Jewish South
  3. Medical Center Jewish Southwest
  4. Medical Center Jewish Northeast
- 2 Parking Garages:
  1. Jewish Hospital Visitor Parking Garage
  2. Jewish Hospital Employee Garage

### What are the terms of the deal?

The University of Louisville paid \$10 million for the assets.

In return, the seller canceled two notes from University Medical Center Inc., amounting to \$19.7 million. The seller also provided \$76.4 million in net working capital, which provides needed start-up funding for the university.

### What other sources of funding is the university counting on?

The university received commitments from several entities to help ensure the success of the transition:

- The Jewish Hospital and St. Mary's HealthCare Foundation is providing \$40 million over four years.
- The Jewish Heritage Fund for Excellence is providing \$10 million immediately.
- A bi-partisan group of state government leaders, including Gov. Bevin, Senate President Robert Stivers, Speaker of the House of Representatives David Osborne, and Minority Leader Rocky Adkins pledged a \$50 million loan to provide needed start-up capital to the new hospital organization.

### So why do you need the state loan? What happens if you do not get the state loan?

The loan from the state is critical to the success of this turnaround. The university would not have entered into this deal if it were not for this loan. These funds will be used to invest in the hospital facilities and to sustain operations during the phase-in financial restoration plan. It will provide long-term stability and continued outstanding service to customers. Without the loan, the transition will be more difficult, the university may be forced to take on significant financial risk, and UofL Health may have to look to close some service lines or significantly limit investment in facilities.

## The loan benefits Kentucky taxpayers and makes a stronger commonwealth by:

- 1) Avoiding overwhelming the statewide healthcare system.
  - Average of 3,000 emergency room visits per month at Jewish Hospital; other hospitals in town are simply unable to accommodate the demand. 20% or about 600 patients a month require immediate hospitalization. The economic and human costs of transferring 600 patients a month to other communities or out-of-state will be significant.
  - Avoid the immediate closure of heart, kidney, lung, pancreas and liver transplant programs, forcing patients to go elsewhere. Transplant surgery patients require significant in-patient care.
  - Slightly more than 1/3 of Jewish Hospital admissions come from outside Jefferson County. About 45% of KOH outpatient visits come from outside Jefferson County.
  
- 2) Avoiding a significant negative impact on the economy.
  - Loss of more than 1,900 jobs (Jewish employs 1,901 staff: 77% are full time and 82% are Kentucky residents.)
  - Loss of more than \$100 million annually in Kentucky wages and of associated taxes.
  - Loss of \$220 million annually in non-personnel spending at Jewish Hospital and of associated taxes.
  - Cost of unemployment benefits for at least a significant portion of 1,560 Kentucky residents and correspondingly higher Medicaid costs with lost health insurance coverage.
  
- 3) Ensuring the pipeline of physicians for Kentucky and preserving programs at UofL.
  - Avoid immediate need to relocate 60 residents. Avoid accreditation jeopardy of residency programs primarily or heavily based at Jewish and Frazier, including cardiology and all cardiology subspecialty fellowships, cardiothoracic surgery, medical subspecialty fellowships in kidney, lung and liver, neurosurgery, and physical medicine and rehabilitation.
  - Avoid immediate need to relocate 15-20 medical students per month.
  - Avoid jeopardizing UofL's R1 research status. The loss of an R1 university would hurt economic development and recruitment of business partners. \$96 million of sponsored research (grants) was secured by School of Medicine faculty last year. This represents 2/3rds of the research grants at UofL. Jewish Hospital-based faculty alone have secured over \$63 million in grants over the next 4 years.
  - Closure creates a \$51 million deficit for the University (loss of clinical and academic support revenues of \$41 million; UMC must continue to repay KOH \$5 million annually for certain items; The vacated Jewish Hospital building reverts back to the University - estimated costs to minimally maintain the empty facility could be \$5 million annually).

The University of Louisville acquired the KentuckyOne Health properties from CommonSpirit Health, formerly known as Catholic Health Initiatives. Following are the key messages around the agreement and the university's effort to secure these vital properties for the Louisville community and the Commonwealth of Kentucky.

### **The University of Louisville's ask:**

The University of Louisville (UofL) seeks support for a \$50 million loan to assist with transition costs in acquiring the Louisville assets of KentuckyOne Health (KOH), including 5 hospitals and 4 outpatient facilities. The vast majority of total system losses come from Jewish Hospital alone at about \$50 million per year. Our plan calls for \$100 million in transition assistance to turnaround the losses in three years.

The proposed loan terms are:

- 20-year term; No payments and no interest accrual for first 5 years, 1% interest accrual starting year 6 through year 20.
- 50% forgiveness if the University maintains 5,880 full-time Kentucky resident jobs or provides healthcare in the west end of Louisville and/or other agreed-upon rural communities.
- If UofL does not repay, state appropriations can be withheld from the university.

Repayment for the loan will go to the state general fund and not to the Cabinet for Economic Development.

UofL sought partnerships with both Norton Healthcare and Baptist Health systems as well as external business partners and comes to the state as a last resort.

BUT FOR the help of the state, UofL would not be able to be successful and the citizens of Kentucky would face dire consequences for their physical, social, and economic health and wellbeing.

### **UofL has a plan for a successful turnaround that will benefit the commonwealth.**

As part of the UofL academic enterprise, Jewish Hospital will be immediately eligible for \$33 million of enhanced Medicaid reimbursement. This federal drawdown is not available for a non-academic owner.

Due diligence by independent private sector entities indicates there are synergies to get us to modest profitability over time.

We have proven we can institute effective management practices while improving patient care, and satisfaction, going from -\$72 million in FY18 to \$23 million in FY19 in operating our own hospital.

We will reduce significant corporate overhead levied on KOH assets (these levies were funds sent out of state).

We will invest in facilities and equipment throughout the system.

Our plan calls for a three-year turnaround that will require \$100 million of transition costs:

- Money will be used to sustain operations during the phase-in financial restoration plan
- \$50 million already secured from private sources
- \$50 million state loan is critical and forgiveness provisions allows long-term stability and continued service