

**BOARD OF COUNTY COMMISSIONERS
OF
FRANKLIN COUNTY, KANSAS**

RESOLUTION NO: 19-02

A RESOLUTION CONFIRMING THE RANSOM MEMORIAL HOSPITAL BOARD'S AUTHORITY TO LEASE THE PROPERTY USED IN ASSOCIATION WITH THE HOSPITAL AND RELATED FACILITIES, AND TRANSFER OF CERTAIN OPERATIONS TO, ADVENTHEALTH FOR USE IN ASSOCIATION WITH THE OWNERSHIP AND MANAGEMENT OF ITS OPERATIONS OF THE HOSPITAL PROPERTY AND APPROVING A LEASE BETWEEN THE COUNTY COMMISSION AND THE RANSOM MEMORIAL HOSPITAL BOARD.

WHEREAS, pursuant to K.S.A. 19-4624, the Franklin County Board of County Commissioners (the "Commission") holds title to certain real and personal hospital property used in connection with the operation of the county hospital known as Ransom Memorial Hospital (the "Hospital") and certain related facilities ("Affiliated Facilities") ("Hospital" and "Affiliated Facilities" are collectively referred to herein as "Hospital Property");

WHEREAS, the members of the Hospital Board of Trustees (the "RMH Board") are appointed by the Commission in accordance with K.S.A. 19-4601, *et seq.*, and are tasked with maintaining the Hospital's operations;

WHEREAS, the growth in healthcare expenses continues to exceed the growth in healthcare revenue, and the RMH Board and the Hospital's administration, consultants, and advisers expect the trend to continue;

WHEREAS, the Hospital's operating losses continue to increase each year, and the RMH Board and the Hospital's administration, consultants, and advisers expect this trend to continue;

WHEREAS, more than eighty rural hospitals in the United States (three in Kansas) have closed since 2010;

WHEREAS, the healthcare payment system in the United States is shifting to a value-based system with the goal of tying the majority of all reimbursement dollars to quality metrics, requiring hospitals to devote significant resources to new and evolving quality and performance improvement infrastructure and initiatives and electronic health records and information technology platforms;

WHEREAS, to ensure long-term viability of their respective facilities, small and/or rural hospitals nationwide continue to affiliate with or integrate into regional or national health systems, which provide economies of scale, infusions of capital, access to physician specialists and a broad scope of care, and updated electronic health records and information technology platforms;

WHEREAS, the RMH Board and the Hospital's administration and advisers have determined that the Hospital requires over \$10 million in capital improvements over the next five years, in addition to replacement of the Hospital's electronic health records system and biomedical

equipment, which are estimated to cost an additional \$5 million, and its capital reserves are insufficient to make these investments;

WHEREAS, the Commission and RMH Board are committed to ensuring that the residents of Franklin County have access to a high quality, cost-effective, comprehensive, and broad range of healthcare services in Franklin County;

WHEREAS, the RMH Board is vested with the management and control of the Hospital under K.S.A. 19-4605 and is charged with the supervision, care, and custody of all Hospital Property under K.S.A. 19-4610;

WHEREAS, the RMH Board is authorized under K.S.A. 19-4611 to enter into written contracts for the lease of Hospital Property to any person upon such terms and conditions as deemed necessary by the RMH Board;

WHEREAS, the RMH Board is authorized under K.S.A. 19-4611 to contract for the management of the Hospital with any person upon such terms and conditions as deemed necessary by the RMH Board;

WHEREAS, the RMH Board and the Adventist Health System Sunbelt Healthcare Corporation (“Adventist”) executed a Letter of Intent (the “Letter of Intent”) dated August 27, 2018;

WHEREAS, the RMH Board desires to lease the Hospital Property and transfer certain operations to, AdventHealth Ransom Memorial, Inc. (“AdventHealth”), a subsidiary of Adventist Health System Sunbelt Healthcare Corporation, pursuant to a lease (the “AdventHealth Lease”) to be negotiated by the RMH Board, as contemplated by the Letter of Intent and within its express statutory authority;

WHEREAS, the Commission has determined that the best interests of the residents of Franklin County will be served through the creation of a stable, comprehensive system of health care, which is best accomplished if the RMH Board enters into the AdventHealth Lease;

WHEREAS, the RMH Board has presented the Commission with a lease between the Commission and the RMH Board (the “RMH Lease”), pursuant to which the Commission would confirm in writing the RMH Board’s authority to lease the Hospital Property, transfer certain operations to AdventHealth for use in association with the ownership and management of its leased operations;

WHEREAS, the purposes of the AdventHealth Lease and the RMH Lease include, among other things, (1) ensuring the Hospital remains open and continues to serve the residents of Franklin County, (2) ensuring the Hospital continues to provide high-quality services to patients, (3) ensuring necessary capital improvements are made in and to the Hospital, (4) leveraging physician infrastructure to ensure continued access to qualified physician specialists, and (5) capitalizing on economies of scale and leveraging the infrastructure and resources of a large health system;

WHEREAS, the AdventHealth Lease and the RMH Lease are critical, interdependent components functioning together to achieve the combined purposes of the AdventHealth Lease and the RMH Lease;

WHEREAS, the Commission has determined that the RMH Lease and the AdventHealth Lease are fair, reasonable, necessary, and advantageous to the Commission, the RMH Board, and the residents of Franklin County;

WHEREAS, the Commission has determined that the RMH Lease and AdventHealth Lease are essential to the safe, prudent, and economical management of the affairs of Franklin County and both are reasonably necessary for the protection of public property, interests and the administration of the county's affairs;

WHEREAS, the Commission desires to confirm in writing and formalize its lease of the Hospital Property to the RMH Board, including the obligations of the Commission as set forth therein, and to confirm the RMH Board's authority to lease the Hospital Property and transfer certain operations to AdventHealth;

WHEREAS, to ensure the long-term sustainability of the Hospital and to induce AdventHealth to make investment in and capital improvements to the Hospital Property, the Commission desires for the RMH Lease to continue throughout the initial term and any renewal term of the Lease and be binding upon successor Commissions and successor RMH Boards;

WHEREAS, after consideration of applicable law and facts, and upon consideration of the advice of legal counsel, the Commission has determined that the lease of the Hospital Property, the transfer of certain operations for use in association with the ownership and management of AdventHealth's operations of the Hospital Property are proprietary, rather than governmental, functions of the Commission or the RMH Board;

WHEREAS, the lease of hospital property, the operation of a hospital, and the contracting for the management of a hospital (1) primarily benefit individual patients and the local community, rather than the state as a whole or the public in general, (2) are permitted by Kansas law and are not mandatory duties that must be performed by either the Commission or the RMH Board, (3) are usually performed by private entities, and (4) are commercial in nature;

WHEREAS, the Hospital's operations and dealings with the public involve primarily individual contracts between the Hospital and its patients of a private and personal nature for pay, and the proceeds are placed in a hospital fund that provides a direct benefit or advantage to the local community and its residents, as opposed to the public in general;

WHEREAS, neither the RMH Lease, nor the AdventHealth Lease, nor the Letter of Intent prohibit the Commission or the RMH Board from (1) regulating or adopting policy concerning public health, safety, or welfare, (2) funding, adopting, or supporting additional projects or programs benefitting public health, safety, or welfare, or (3) exercising any statutory duty assigned to them;

WHEREAS, upon execution of the RMH Lease and the AdventHealth Lease, the RMH Board will retain certain significant rights and responsibilities, including (1) overseeing and

enforcing AdventHealth's commitments under the AdventHealth Lease, (2) determining how all tax revenue supporting the Hospital will be spent, (3) reviewing the Hospital's quality plans and outcomes and participating in plans that will foster and improve quality outcomes, and (4) three members of the RMH Board will be appointed by Adventist to serve on the AdventHealth Board;

WHEREAS, the Commission acknowledges that the rental payment of \$1.00 per year is fair market value and commercially reasonable consideration in light of the commitments and obligations of AdventHealth under the Letter of Intent and the AdventHealth Lease, including AdventHealth's commitment to (1) invest a minimum of \$10 million of capital expenditures within five years after the effective date of the AdventHealth Lease, (2) assume all or almost all of the liabilities associated with the Hospital Property, (3) update the Hospital's technology platform, (4) operate AdventHealth as a non-profit organization, and (5) implement the standard Adventist charity care policy for the Hospital; and

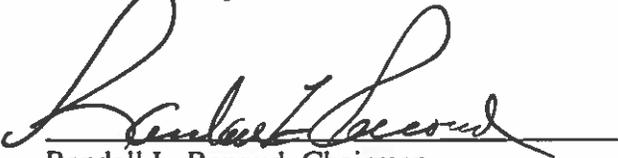
WHEREAS, the Commission acknowledges that the duty of good faith and fair dealing applies with respect to the RMH Lease and AdventHealth Lease and that the Commission and successor Commissions must comply with this covenant of good faith and fair dealing in all actions and decisions made with respect to the AdventHealth Lease and RMH Lease.

NOW, THEREFORE, Be It Resolved by the Board of County Commissioners of Franklin County, Kansas, that:

1. The Commission supports the Letter of Intent;
2. The Commission authorizes and approves the RMH Lease;
3. The Commission directs Randall L. Renoud, as chairman of the Commission, to execute the RMH Lease and deliver it to the RMH Board; and
4. The Commission supports the execution by the RMH Board of the AdventHealth Lease as contemplated by the Letter of Intent and upon such additional terms and conditions as negotiated and approved by the RMH Board.

[Signature page follows]

PASSED AND ADOPTED by the Franklin County Board of County Commissioners on
January 9, 2019.



Randall L. Renoud, Chairman

Received and recorded on January 9, 2019.



Janet Paddock, County Clerk