

Good morning. Fellow Commissioners, with your permission, I would like to take Chairman's privilege to update our citizens on recent events surrounding the relationship between Craven County and CarolinaEast Health System.

I am pleased to inform our citizens that the County and the hospital have finalized and signed a new lease for the hospital campus. As a matter of history, for several decades prior to 1988, the hospital was operated by Craven County. It was during these many decades that the taxpayers of this community provided the funds necessary to build and develop much of the hospital campus that is used by CarolinaEast today. In 1988 Craven County created under North Carolina law a hospital authority that is now known as the CarolinaEast Health System. The hospital authority was created to provide a more modern management structure for what had been known as the Craven County Hospital. The County leased the then-existing modern, 300 hundred-plus bed hospital to the authority, for \$1 per year. Craven County and its taxpayers also agreed that the County would commit any funds it derived from its hospital property to bond payments owed by the Hospital Authority, should the hospital fail. Thankfully that did not come to pass. That lease was set to expire in October of this year. In addition, in the early 1990s, the County began paying debt the hospital incurred through a bond issue. The citizens of Craven County essentially gave a modern, fully functioning hospital to the hospital authority and took the further step of paying the hospital's debt for some years. The citizens of Craven County entrusted their hospital and their health care to the new hospital authority, with the expectation that the hospital would always serve the interests of all citizens of Craven County and surrounding areas.

Over the years, the hospital fulfilled its obligations to the citizens of Craven County by not only providing excellent health care but also by providing various forms of community support. The hospital has financially supported various non-profit organizations which address public health and similar health-related issues. The hospital has also been active in financially supporting community economic development efforts, MCAS Cherry Point and our military community. According to information provided by the hospital to the County over the summer, the value of this community support is around 1 million dollars per year. I know I speak for this Board and all the citizens of Craven County in expressing gratitude for the hospital's efforts to support various causes important to our community.

Importantly, the hospital for many years has also provided EMS service to the City of New Bern and adjacent areas, at no cost to Craven County. The County greatly appreciates this service as without it the County would be required by law to provide EMS service, at great expense to the County's taxpayers.

The new lease can last up to 20 years, thereby securing the hospital's current operations and its very important role in our community for quite some time. The lease also provides for a payment from the hospital to the County of \$450,000 per year. This amount was settled upon after extensive negotiations between the County and the hospital and represents a very small amount when compared to the fair market rental value that the County could get

for the property, which would cost the hospital *millions* of dollars per year if the county was not willing to take such a substantial discount. Furthermore, the use of the amounts paid by the hospital to the County is restricted to public health and mental health/substance abuse treatment purposes and to offset the County's costs associated with medical services provided to inmates in the Craven County jail. Although any amount paid by the hospital to the County would ultimately benefit the citizens of Craven County and thereby the hospital indirectly, the support of mental health and substance abuse treatment services in particular will directly benefit the hospital as increased and better care for these conditions will divert those in crisis from the hospital's ER, which is oftentimes the most expensive medical care and is frequently medical care for which the hospital is never paid due to the circumstances of those in crisis.

Perhaps most importantly, the hospital has graciously agreed in the new lease to continue providing EMS services to the City of New Bern and adjacent areas. This is a wonderful and meaningful contribution by the hospital to the well-being of many of our citizens. Again, the County is deeply appreciative of the hospital's agreement to keep its EMS services in place for the foreseeable future.

It is also important to make clear that the hospital's obligations under the new lease represent in many ways the formalization of various benefits the hospital has provided over the years. For instance, the hospital has in some years provided \$100,000 to the County to assist the County in providing mental health and substance abuse treatment services. Likewise, for many years the hospital has provided assistance to the County to offset the County's cost of medical care required by law to be provided by the County to jail inmates. The hospital has also provided over the years funding to support the County's public health work. Finally, the hospital has provided EMS services for decades. From the County's perspective, formalizing some of the hospital's historical contributions to the County and its citizens will confirm the formal relationship of the parties and remove uncertainty and the possibility for conflict in the future, particularly between future boards and future management teams. The public should not consider the financial consideration required under the new lease to be a completely new obligation of the hospital; rather, that consideration represents the formalization in part of many financial benefits the hospital has provided for many years.

The new lease has also allowed the hospital to avoid a potential financial disaster. In 2022, the hospital borrowed 52 million dollars, through the issuance of a bond, which essentially constitutes a loan by a bank to the hospital. A condition of this bond was that the hospital provide the lender a new lease with the County (or a lease extension) no later than December 31, 2023; otherwise the lender would be able to demand immediate repayment of the bond amount in full. For some reason unknown to your Commissioners, that deadline passed without any effort by the hospital to get a new lease in place. In fact, the County Commissioners did not know about the critical need for a new lease until September of this year, just before the expiration of the old lease. It was only in September that the hospital informed the County that the hospital was technically in violation of its bond terms and a

new lease was absolutely and immediately necessary to avoid repaying the loan balance of 50 million dollars. As communicated by one hospital representative, the unplanned repayment of 50 million dollars by the hospital would have resulted in significant cuts to medical services rendered to the citizens of Craven County. Fortunately, your County Commissioners worked with the hospital to extend the old lease several times in order to give the parties time to negotiate a new lease. Craven County was pleased to assist the hospital in resolving a potential financial default under the hospital's 2022 loan, so that existing health care services provided by the hospital could be maintained.

Unfortunately, and despite the County's efforts over the past several months to negotiate a new lease that meets the needs of the County, its citizens and the hospital, Craven County has been informed that some at the hospital may intend to use the terms of the new lease as an opportunity to stop or limit the hospital's support for the many community and charitable organizations the hospital has supported for many, many years. Apparently, it appears this action is intended as indirect "punishment" of the County for the terms of the new lease. Rather than use the new lease as an opportunity to renew and improve the relationship between the County and the hospital, apparently some at the hospital desire to live in the past, attempting to resurrect disputes, perceived slights and disagreements which should be relegated to history. If true, the hospital's removal or reduction of its \$1,000,000 in annual community support will have devastating consequences for those organizations supporting public health, indigent care, MCAS Cherry Point and our military community.

From financial statements provided by the hospital to the County, for the hospital's most recent fiscal year the hospital received 1.7 **BILLION** dollars in revenue from its operations. After expenses, the hospital made 46.5 **MILLION** dollars in profit during the same period. Moreover, as of June 30, 2024, the hospital's audit shows that the hospital has cash and investments on hand of 418 **MILLION** dollars. I ask our Clerk to enter into the minutes of this meeting the hospital's recent audit and the financial statements of the hospital, both of which support my statements on the hospital's financial condition. As we can all see, the hospital's financial support of various community organizations and causes, although important and greatly appreciated, represents a very small fraction of the hospital's revenues, profit and cash/investments on hand. Based upon the hospital's own financial statements and audit, there appears to be no legitimate financial reason for the hospital to punish community organizations in order to send some sort of message to this Board of Commissioners.

Despite the success between the County and the hospital in arriving at fair terms under the new lease, the potential financial crisis created by the inaction of the hospital's leadership cannot be repeated. Similarly, the risk to our community organizations posed by a full or partial defunding of the hospital's financial support cannot go unaddressed.

Accordingly, I call upon the hospital board to convene in special or emergency session and provide this Board of County Commissioners and the citizens of Craven County, no later than 500 pm this Thursday, November 21, a plan for investigating the internal failures that

put the hospital at risk of being in default on a 50 million dollar debt. During that meeting, I also ask the hospital board to state whether the hospital intends to decrease or eliminate funding for the community causes and organizations I have mentioned this morning. If the hospital in fact intends to decrease or eliminate funding for these various community organizations, I further ask that the hospital identify the organizations or causes which will be impacted, by name and by amount. If the hospital board declines to take these actions as requested, I believe each and every hospital board member is very likely engaging in breach of duty and inefficiency, and quite possibly misconduct in office. Although I want the hospital board to address the matters I have identified this morning, those issues are of the utmost concern and importance to our citizens, and if the hospital board does not take immediate and meaningful action to address them, I will consider using each and every authority at my disposal to address these issues.

The citizens of Craven County must be assured that the management of the hospital is not neglecting its duties to efficiently and appropriately monitor and attend to the business of the hospital so that the institution is never again put at risk of a potential loan default of the magnitude at issue recently. Craven County and its citizens **MUST** be assured that the original decision to entrust the hospital and the region's healthcare in a hospital authority remains the right decision.

Likewise, I am disappointed for the citizens of Craven County and those organizations and efforts the hospital has historically supported that some at the hospital may choose to engage in petty politics and vindictiveness over a lease mutually agreed to by the hospital and the County after extensive negotiations. I do not believe anyone would knowingly choose to defund military support, or public health support, or indigent health care, or mental health and substance abuse care, particularly when there is no legitimate financial or other reason to do so. At the end of the day, the hospital and the County serve the citizens of Craven County; to disadvantage those heroic groups serving our military community and serving those in our community in need is in direct conflict with what should be our mutual goal of making the lives of the citizens of Craven County better.

In closing, I would like to make clear that Craven County is very proud of the health care provided to our citizens through the original Craven County Hospital, which then became Craven Regional Medical Center and is now known as CarolinaEast Medical Center. The hospital has always played an important role in improving the lives of our citizens, and Craven County looks forward to continuing this tradition. However, certain recent events must be addressed by the hospital's current board so that Craven County and its citizens can be assured that hospital affairs are being handled with the utmost competence and focus on the needs of our citizens.

To the employees of the hospital, I express my gratitude for the jobs you do every day. The hospital employs many wonderful, kind and skilled employees, many of whom put the best interests of their patients and community before their own. Craven County sees your daily efforts, and we are appreciative of them. Rest assured that Craven County supports you,

unconditionally, and Craven County will do anything within its power to make sure you have the support and tools you need to continue providing the excellent health care you have provided for many, many years.