



HSDKC board nets \$2.3 million from Capella transaction

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According to information provided to the Chronicle-Independent in response to a S.C. Freedom of Information Act request, the Health Services District of Kershaw County Board of Trustees netted approximately \$2.3 million from the \$35 million lease/purchase of KershawHealth by Capella Healthcare.

Marc A. Quigley, the board's certified public accountant, said the actual purchase price -- and, therefore, the net difference -- will change as Capella determines exactly how much working capital it needs to run the hospital. As of the Oct. 30 closing and Capella's Nov. 1 takeover of hospital operations, the working capital adjustment stood at \$783,633. Capella has 90 days from the Oct. 30 closing date to propose a final working capital adjustment, after which the board will have 30 days to review the proposal.

Capella paid the board \$21.7 million to lease the main Camden medical center and Elgin Urgent/Outpatient Center and another \$13.3 million to purchase other KershawHealth facilities along with furniture, fixtures and equipment. Capella did not purchase the Karesh Long-Term Care Center, nor portions of the former Pine Tree Hill Elementary School property or old Burndale Shopping Center. Those assets remain in the board's hands.

The board did, however, enter into a one-year management agreement for Capella and its partner, MUSC Health, to run the Karesh unit. A \$2.5 million payment to Capella to do so was deducted from the lease/purchase payment.

The largest fraction of the transaction, \$21.527 million, was placed into an escrow account to defease, or pay off, a 2008 series of bonds.

"These funds are no longer available to the board and (it is) required to pay the bondholders," Quigley said.

The next largest deduction is a \$4.5 million withholding from the \$21.7 million lease payment for unexpected post-closing costs. The funds are being placed into a separate escrow account. If, for example, Capella finds something it needs to fix which was not disclosed during negotiations for the transaction, it would dip into the escrow account to handle the matter.

Next is a \$2.454 million contribution to the KershawHealth Employees Pension Plan.

"The board ... has not only been committed to improving the health and well-being of the residents of Kershaw County and its surrounding communities, but also to improving the lives of those team members who have faithfully worked to fulfill its mission over the years," Quigley said. "This contribution was made on Oct. 28, and results in the full funding of the pension plan's current accrued benefit liability based upon a recent valuation and actuarial study using 1994 mortality tables."

Quigley said the board will continue to administer not only the pension plan, but obligations related to a 403(b) retirement plan and its ownership of the Karesh wing.

Smaller payouts from the lease/purchase proceeds include \$3,349 for title company disbursements, a \$565,000 payment to Ponder & Co. as the transaction's broker and a \$359,192 payout of an equipment-related capital lease.

Quigley also said -- under the terms of the lease/purchase agreements -- the board will be financially supporting the Healthcare Place at Bethune for at least the next four years.

"We estimate that an annual payment of \$100,000 will be made from the health services district to support the operations of the Bethune clinic," he said.

Following the signing of a letter of intent in December 2014, KershawHealth attorney David Summer said net proceeds from the lease/purchase would be set aside and invested, to be used in the event the board needed to repurchase the assets it sold and/or take back hospital operations should Capella choose not to renew its lease after 40 years.

Quigley said the \$2.3 net difference will go toward that financial position along with the other assets the board holds.

"We still own the main campus and Elgin, so those facilities would be there. We will be maintaining a certain level of assets in order to accomplish that goal," Quigley said.

He also said the board is "very much committed to its continuing role" in Kershaw County's healthcare.

"Whether its fulfilling the obligations of the retirees and former employees of KershawHealth by managing the two retirement plans still in existence, managing its ownership of the Karesh Long-Term Care Center, or overseeing the financial obligations of its grant programs like **KershawHealth** 1315 Roberts Street PO Box 7003 Camden, SC 29020 803.432.4311 kershawhealth.org

LiveWell Kershaw, the trustees are committed to making sure all citizens of Kershaw County have access to high quality healthcare facilities and services.”

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