

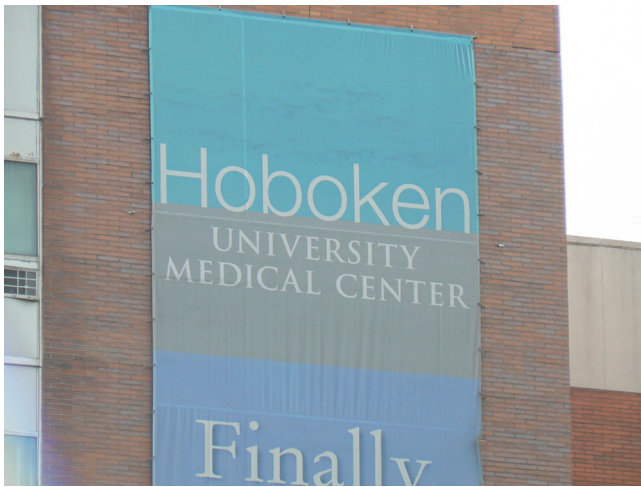
# What did other companies offer?

## *Mayor and alternative bidders clash over viability of bids to buy Hoboken hospital*

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Two of the six bidders to purchase Hoboken University Medical Center went public last week with details of their past offers to buy the facility, prompting Mayor Dawn Zimmer, who is also a member of the Hoboken Municipal Hospital Authority (which is selling the hospital), to explain why the proposals were rejected.

The city is trying to sell the hospital to the successful bidder, HUMC Holdco, which co-owns Bayonne Medical Center. But in the wake of a recent setback, the mayor's opposition has been saying that the public was left in the dark about the bids, and perhaps Holdco was chosen for the wrong reasons.

Recently, the current operators of the hospital declared bankruptcy. In order to complete the sale to Holdco, the creditors and the hospital must agree to a bankruptcy settlement. Two weeks ago, the anti-Zimmer members of the City Council voted against the idea of the city kicking in \$5 million toward the settlement so that they sale could go through. An otherwise depleted state budget also included \$11 million to help extinguish the city's bond guarantee.

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The sale to a private company is meant to relieve the city of a potential \$52 million bond guarantee that the City Council used in 2007 to keep the hospital open when it threatened to close due to financial problems (see sidebar for timeline).

The parties involved in the bankruptcy continued negotiations in court last week. A settlement hearing was postponed until Oct. 4. The hospital's operator, Hudson Healthcare Inc., filed for bankruptcy on Aug. 1, and Zimmer has said that if an agreement is not reached, the hospital will close, as the outstanding claims must be settled before a sale is executed.

But others have asked why a different bidder could not negotiate for the hospital. Zimmer has said that it is too late to go through the negotiation process again.

Court records show that as of Friday there was no settlement agreement filed by Hudson Healthcare Inc.

More than 5,000 creditors are owed approximately \$34 million in the bankruptcy. Gov. Christopher Christie, a cross-party ally of Zimmer's, said he would make \$5 million of coveted state money available to keep the

sale alive.

Last week, a *Star Ledger* report revealed that the Bayonne Medical Center owners and their relatives have spent at least \$350,000 on lobbying Trenton politicians, both Democrats and Republicans. At least \$25,000 went to a political action committee that supports Christie.

Holdco wants to make HUMC a for-profit facility, a trend in hospitals across the country. Holdco has pledged to keep the facility as a hospital for at least seven years.

Due to non-disclosure agreements, all of the bids submitted to the HMHA were not made public until recently. P3 and JCMC waived their non-disclosure agreements by releasing their proposals to certain officials and the press recently. The *Reporter* contacted Zimmer to discuss with her the two bids on Tuesday. By the next afternoon, Zimmer had issued a press release saying why she believes the two bids fell short.

### **JCMC/CHA bid**

The bid submitted by Liberty Health, which owns Jersey City Medical Center and used to own Meadowlands Hospital in Secaucus, was part of a partnership with Community Healthcare Associates. When reached by phone last week, officials from JCMC and CHA declined to comment on the mayor's statement about their bid. However, a CHA representative recently told the *Wall Street Journal* that they are still interested in buying the facility.

JCMC's bid proposed enacting recommendations from the Navigant Consolidation Report, which was authorized by New Jersey Health Care Facilities Finance Authority to examine how three Hudson County hospitals could consolidate services as a cost-saving measure.

The JCMC/CHA bid also asked the city to take the failing facility and designate it as an area in need of redevelopment, with CHA being named the redeveloper. Part of the financing of the bid relies on Redevelopment Area Bonds (RAB's).

"It is unclear whether the area even qualifies to become a redevelopment zone, which meant that their proposal may not have been legally possible," Zimmer said in her statement last week. "In addition, the funding for the transaction was largely speculative with only \$22.7 million in private equity."

Zimmer said the JCMC bid could not extinguish the entire \$52 million bond guarantee, and they would also require PILOT payments. (PILOT payments are payments that go to the city instead of regular taxes). However, the sale contract for the current buyer, Holdco, states the city will work toward a tax abatement and other tax credits for the future for-profit entity.

Under the JCMC bid, the hospital would continue to run as a non-profit. The owners of the actual hospital property, CHA, would be for-profit. JCMC would essentially be a tenant, and CHA would be the landlord of the hospital property.

Holdco's five-page bid was made public on Friday, indicating they partnered with Wellspring Capital Management for an anticipated \$75 million financial agreement, more than what JCMC and P3 have been able to show from a financier.

The financing plan for JCMC is spelled out in their proposal as follows: \$20 million from state stabilization funds, \$34.3 million from the Urban Transit Hub Tax Credit program, \$15 million from RAB's, and \$22.7

million from a private financier.

The JCMC/CHA bid package included a letter from Hampshire Real Estate Companies, indicating their commitment to becoming a financial partner. JCMC/CHA officials were confident they could get the required monies.

“CHA has had preliminary discussions and a positive response from the NJ [Department of Health and Senior Services] regarding the use of stabilization funding for the regionalization of services in Hudson County,” according to a letter from Jeffrey Moll, a managing partner for CHA, to the HMHA. The letter also states that Horizon Blue Cross Blue Shield has “expressed interest” in purchasing tax credits.

### **P3’s bid**

Geoff Teed, the president of P3 in Connecticut, has been the most vocal and visible bidder through the sale process. Teed has promised to keep the hospital a non-profit facility with no layoffs, according to his proposal. Teed said last week in a phone interview that P3 has a financier. He echoed that sentiment in a Sept. 27 letter to HMHA chairwoman Toni Tomarazzo, but said he wanted exclusive rights to negotiate with the HMHA before his financier would be made public.

Teed also said that Zimmer’s release of an early P3 proposal on the city website, and her response, were misleading, as they had added to their proposal later.

“Our investor is willing to finance the acquisition of the hospital assuming the mayor and the members of the [HMHA] are willing to provide in writing a formal invitation to work exclusively with us for up for a period of 45 days so that all parties can work quickly, cooperatively, and transparently toward a transaction that supports the mutual goals of all parties involved,” Teed wrote last week.

The original P3 proposal, which was posted on the city website on Wednesday, was only for management of the hospital, not for its purchase. However, in December, P3 resubmitted another bid for ownership of the hospital.

“There was no indication however that they had the financial resources to acquire the hospital themselves or had any ability to finance such an acquisition,” Zimmer said in a statement. But Teed contends that the authority “hadn’t tested [P3’s] ability to finance.”

Teed’s Sept. 29 statement indicated that his company could also assume all of the creditors’ claims in the bankruptcy. His statement also says that even though P3 has never owned a hospital, “P3’s executive team consists of highly qualified CEOs who have transformed hospitals from far worse financial condition and in far worse demographic regions and P3 executives have completed several hundred million dollar hospital and health system transactions.”

### **Holdco vs. the rest**

The mayor said in a release given the facts about the two public bids, “It is clear that the Holdco bid was the only bid that we received that would maintain our hospital services, fully defease the \$52 million bond, and which had the financing in place so that the transaction could actually be completed.”

The city received six qualified bids, according to the HMHA. Now that three of the bids (Holdco, JCMC, and P3) are public, that leaves three other bids that are still subject to the non-disclosure agreement. An official from Palisades Medical Center in North Bergen said they did not submit a bid to purchase HUMC.

The parties in the bankruptcy are due back in court on Oct. 4. Sources say that if an agreement is not reached by that time, the judge may simply issue a ruling.

After the bankruptcy settlement, only the state Commissioner of Health needs to sign off on the sale before the transition of ownership can begin.

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