

# Prince George's County Hospital Authority

February 25, 2009

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Marilynn M. Bland, Chair  
Prince George's County Council  
14741 Governor Oden Bowie Drive  
2<sup>nd</sup> Floor  
Upper Marlboro, MD 20772

Dear Chairperson Bland:

Thank you for giving representatives of the Prince George's County Hospital Authority ("Authority") an opportunity to address the Prince George's County Council yesterday. When the draft legislation was forwarded to you on February 19, 2009, we were seeking your comments, and we were pleased to receive those comments yesterday. The County Council's input will be helpful as the Authority proceeds through the Maryland General Assembly's legislative process. It appears after yesterday's hearing that the Authority and County Council are in agreement on the major issues, and those issues are spelled out in the existing and proposed legislation. With regard to the proposed legislation, I want to highlight the two major aspects of our proposal.

The proposed legislation does two things: 1) it retains the Authority's existing mandate to transfer the entire healthcare system, but allows it do so in separate transactions, to multiple buyers, as long as the partial sales are consistent with the ultimate transfer of the whole system; and 2) it provides for State and County agencies to serve as advisors to the Authority to develop the plan for transferring the system in its entirety.

As you know, the Authority is currently required to transfer the healthcare system in its entirety. The proposed legislation does not change that mandate. The difference is that the legislation under which the Authority is now operating does not allow the Authority to consider bids for less than the whole system. Through the proposed legislation, the Authority is seeking authority to allow the seriatim transfer of the healthcare system's assets – i.e. to sell components of the system – as long as this process ultimately results in a whole-system solution.

The Authority understands the concern clearly expressed by the Council that, if the Authority sells the more profitable components of the system and is unable to sell the less profitable components, the unmarketable components would remain the County's responsibility. The Authority is committed to ensuring that this will not happen. First, the proposed bill makes clear that the Authority's mandate remains to transfer the system in its entirety. It also expressly directs a wide spectrum of State and County agencies to provide to the Authority the health care planning, financial, and economic

Marilynn M. Bland, Chair  
Prince George's County Council  
February 25, 2009  
Page 2 of 2

development expertise necessary to craft a viable plan to transfer the system in its entirety. Second, the bond holders have clearly indicated their unwillingness to approve any transfers which are inconsistent with the ultimate transfer of the entire system. For these reasons, the Authority seeks no change in Section 24-1605 which provides, in pertinent part, "the Authority shall develop a plan for the transfer of all components of the health care system, consistent with its mission under Section 24-1602(B) and (C) of this subtitle ..."

As a final point, during yesterday's hearing there was some discussion about the existing pension liability potentially being passed on to the citizens of Prince George's County. As was stated at the meeting, both the current statute and the proposed legislation preclude that possibility. Chapter 680 provides that all bids for the transfer of the system shall include a plan for satisfaction of the system's liabilities, and the proposed bill directs that the plan for transfer include apportionment of the liabilities to each system component which shall be transferred to the new owners. Section 24-1605.1(A)(4)(II) provides expressly that the Authority will "determine the appropriate percentage of the health care system's bond indebtedness, unfunded pension liability, malpractice tail and any other obligation which shall be allocated to each individual system component and transferred to the new owner of each component. (Emphasis added).

We share the Prince George's County Council's concern about the effective transfer of the health care system in Prince George's County. As such, we remain committed to carrying out the Authority's mandate to transfer the system in a manner that will best serve the citizens of Prince George's County. We look forward to your continued input during the legislative process.

Sincerely,



Kenneth E. Glover  
Chair

Prince George's County Hospital Authority