

May 17, 2011

Mr. Michael C. Tarwater
Chief Executive Officer
Carolinas HealthCare System
P.O. Box 32861
Charlotte, NC 28232-2861

Dear Mr. Tarwater:

Thank you for inviting me to meet with you and Ms. McConnell last Wednesday to hear about CHS's plans to obtain 44 psychiatric beds from the State for a new CHS psychiatric hospital in Huntersville. At our meeting, you requested that I, on behalf of the LME, execute the Memorandum of Agreement (MOA) supporting the transfer of the beds, which I declined to do at that time. I have, however, followed up on the issues you raised in the meeting.

I understand that CHS believes there is a compelling need to add at least 44 psychiatric inpatient beds in Mecklenburg County above Presbyterian Hospital's 75 beds and CHS's 66 beds. As I explained in our meeting, it is important for the County to have sufficient information before deciding whether to support your proposal.

First, as we discussed, North Carolina's 2011 State Medical Facilities Plan, which I understand determines bed need for all 100 counties in the State, shows that Mecklenburg County only needs an additional 8 adult psychiatric beds. This calculation was made prior to Presbyterian Hospital's recent receipt of 15 beds. This indicates there may be a 7-bed surplus in Mecklenburg County. Although you believe the State Plan does not determine actual need, the County would like clarification from the State.

Second, as promised, I have followed up on your belief that County staff has received from CHS the necessary information staff requested, and that additional information to be provided is on schedule. Unfortunately, County staff has not yet received from CHS all information that was requested, including utilization information for CMC-Randolph. Therefore, please provide this information as soon as possible. Once this information is provided, County staff needs sufficient time to review the data. This information is necessary for County staff and the Board of Commissioners to determine the best interests of Mecklenburg residents and taxpayers. If you would like to discuss this further, please contact the County Manager.

Apparently the requested information involving a schedule or timeline relates only to a particular State report required of all LME providers. It is regarding this information that there was an agreed upon schedule as you referenced in The Charlotte Observer and in our meeting. Although not yet completed, County staff is still working diligently with CHS staff to meet the State's deadline.

Finally, in our meeting, you indicated that you have offered to the County a proposal to mitigate financial loss that could result from opening this new facility. Specifically, you are proposing to cap the CMC-R deficit funded by the County at the current year's level (\$22.4 million) and allowing future cost increases to be paid by the County be based upon the CPI (non-medical). The County is concerned about using the amount of the current year's deficit as a baseline, especially because the contract's associated charges include \$7 million in corporate fees. The County is also concerned about the number of non-Mecklenburg residents being served. As information, this year's \$22.4 million deficit represents an increase of 162% over the FY 2005 deficit of \$8,541,431. I would encourage you to discuss these and other contract issues in more detail with the County Manager.

You also indicated in our meeting that you plan to file, this week, an application for a Certificate of Need (CON) for the 44 psychiatric beds. As a matter of transparency, we are compelled to notify the State that the Mecklenburg County LME has not executed the MOA on this matter.

I know you would like to move quickly to implement your plans. I understand there will be several opportunities for you to obtain transfer of these beds from the 300+ bed pool over the next few months. Even if County staff were to receive the necessary requested data today, it is not feasible for staff to review and analyze this volume of information and be ready with a recommendation regarding execution of the MOA by the end of this week. Again, once County staff receives the requested information, they will work diligently on the analysis so that you can receive a decision as soon as possible.

I very much appreciate and share your passion for serving the residents of Mecklenburg County. Carolinas HealthCare System has been a valued partner of Mecklenburg County for many decades, and I know we can work through these issues in a continued process of communication and collaboration.

Best regards,
Jennifer Roberts
Chairman

Cc: BoCC
Harry Jones
Michelle Lancaster
Martha Ann McConnell