

**LETTER OF INTENT
BETWEEN
THE GOVERNMENT OF THE DISTRICT OF COLUMBIA
AND
DISTRICT HOSPITAL PARTNERS, L.P. D/B/A GEORGE WASHINGTON
UNIVERSITY HOSPITAL**

**TO ESTABLISH A NEW STATE-OF-THE-ART, COMMUNITY HOSPITAL LOCATED
ON THE ST. ELIZABETHS EAST CAMPUS AS PART OF AN INTEGRATED
HEALTH SYSTEM**

This Letter of Intent (hereinafter “LOI”) is entered into this 10th day of August 2018, by and between the Government of the District of Columbia (“the District”), and District Hospital Partners, L.P. d/b/a George Washington University Hospital (“GWUH”). The District and GWUH are collectively referred to in this LOI as the “Parties” and each individually is referred to in this LOI as a “Party”.

RECITALS

- R1. WHEREAS, the goals of the District are that every resident has access to affordable, person-centric, and quality healthcare services in an appropriate setting and to enhance access and address barriers to hospital inpatient, urgent care, medical specialty, and outpatient surgical services for residents in targeted communities; and
- R2. WHEREAS, the Parties seek to establish a new acute-care community hospital that will integrate into existing and new healthcare providers to establish solutions to the challenges of health access, equity and quality for Ward 7 and 8 residents and seek to establish a comprehensive system of care that will improve the health of residents in Wards 7 and 8 and Districtwide; and
- R3. WHEREAS, the District has completed multiple studies of options for building a new, financially viable, high-quality acute care community hospital in Wards 7 and 8, which outline an approach and strategy represented through the partnership proposed by this LOI; and
- R4. WHEREAS, the development of a new hospital on the St. Elizabeths East Campus will continue the District’s goal of reinvesting in its communities and bringing world-class amenities to all District neighborhoods; and
- R5. WHEREAS, the goal of the District is therefore to build a new, financially strong, state-of-the-art, community hospital on the St. Elizabeths East Campus, and to have that hospital operated, maintained, and governed by a highly qualified, financially strong, private third-party entity with significant health care delivery experience; and

- R6. WHEREAS, the establishment of an integrated system of care anchored on the campus of St. Elizabeths East Campus by a community hospital, medical specialty services, and urgent care services operated by GWUH and its partners, and newly established partnerships with existing and new community providers of primary care and specialty care will advance the District's goals to:
- a. Promote engagement in appropriate, quality, and timely primary care services, including preventive, acute, and chronic disease management;
 - b. Promote a comprehensive approach to integrating medical and behavioral health services in primary care, medical, and behavioral health outpatient clinics;
 - c. Promote evidence-informed and place-based strategies to support individuals with the leading chronic and/or complex conditions;
 - d. Reduce inappropriate emergency department utilization;
 - e. Increase availability of high-quality medical specialty services for individuals and families;
 - f. Reduce barriers for private practitioners, including local providers, to serve Medicaid patients as valued participants of the health care delivery system;
 - g. Promote well-coordinated, patient-centered care transitions that enhance patients' recoveries, increase independence, and reduce inappropriate hospital readmissions;
 - h. Promote multi-sector collaboration with and across service systems and sectors; and
 - i. Enhance health information exchange and technology systems in the District and surrounding region.
- R7. WHEREAS, GWUH is an integrated healthcare delivery system anchored by a 385-bed tertiary care hospital located at 900 23rd Street, NW (the "Foggy Bottom Facility"); and
- R8. WHEREAS, GWUH is jointly owned and operated by a partnership between George Washington University ("GW") and an affiliate of Universal Health Services Inc., one of the nation's largest health care management companies; and
- R9. WHEREAS, GWUH is interested in operating, maintaining and governing a new, state-of-the-art, community hospital to be developed in collaboration with the District on the St. Elizabeths East Campus in order to serve District residents, expand and develop its service area, and provide a broad range of services consistent with its standing as a premier health system; and
- R10. WHEREAS, GWUH would operate the new hospital in coordination with the Foggy Bottom Facility; and
- R11. WHEREAS, GWUH would work with the District to establish an integrated health facility system with a full continuum of care coordinated with the Foggy Bottom Facility's higher level tertiary offerings and faculty partners; and

- R12. WHEREAS, the Parties are committed to working together to achieve these goals through a mutually beneficial partnership, and recognize that to do so they must address a number of issues and develop a comprehensive plan and an agreement that includes the financing, funding, construction, management, governance, maintenance, community engagement, and operations agreement for the new hospital; and
- R13. WHEREAS, the Parties recognize that substantial resources will need to be committed in order to engage in the necessary work to develop the comprehensive plan and agreement; and
- R14. WHEREAS, the Parties are prepared to commit those necessary resources and work collaboratively to achieve their mutual goals;
- R15. NOW, THEREFORE, in consideration of the promises of the Parties in this LOI, the Parties agree as follows:

ARTICLE I

AGREEMENT ON CORE ELEMENTS OF THE NEW COMMUNITY HOSPITAL AND IMPROVED HEALTH CARE DELIVERY SYSTEM

The Parties agree to establish a comprehensive agreement for a new community hospital as part of an integrated health care system and ambulatory and ancillary facilities (the “Proposed Project”) around the following core assumptions regarding the new hospital facility and other health care infrastructure and services:

New Hospital

1. The new hospital will be located on the St. Elizabeths East Campus, Parcel 2.
2. The new hospital will include approximately 100-125 inpatient beds with the final number to be determined in coordination between the District and GWUH.
3. The new hospital will provide non-high risk obstetric services and Level 1 well newborn nursery services with higher level newborn and neonatal intensive care unit services being provided at GWUH’s Foggy Bottom Facility or another regional hospital as required.
4. The new hospital will be governed by a Board, a majority of whose members will be officers, employees, or appointees of GWUH.
5. The District’s representation on the Board shall be no more than twenty percent (20%) or three (3) members, whichever is higher, of the Board’s total composition.

6. The new hospital will be fully integrated and aligned with GWUH, GW and its affiliated faculty practice plan, the GW Medical Faculty Associates, Inc. (“MFA”), in the delivery of local and regional health care.
7. The new hospital will be operated, managed, and maintained by GWUH.

Additional Healthcare Infrastructure and Service Investments

8. The new hospital will be supplemented by additional health care infrastructure and service investments in Wards 7 and 8.
9. Health care infrastructure investments may include, but are not limited to, ambulatory surgery and specialty care facilities at St. Elizabeths East, urgent care, diagnostic imaging, medical office, skilled nursing, and other ancillary facilities at other locations in Wards 7 and 8, and electronic health record systems.
10. Health care service investments may include, but are not limited to, primary care and specialty care providers, quality programs, transportation, telemedicine, research, employee recruitment and training, wellness education, and other population health initiatives.

Financial Commitments of the Parties

11. Each Party will make a significant financial contribution to establish the new hospital and/or the new health care infrastructure and services in Wards 7 and 8.
12. Specifically, the District will:
 - a. Invest in the construction of the new hospital and other site improvements, which may include a new emergency and temporary housing facility on Parcel 2 for persons experiencing homelessness; a new garage on Parcel 6 for patrons of the new Entertainment and Sports Arena, which will free up space for the new hospital and ancillary facilities, a garage for the new hospital, and the infrastructure (roads, sewer, water, fiber, power) necessary to activate and prepare Parcel 2 for the new hospital’s construction;
 - b. In its approved Fiscal Year 2019 six (6)-year capital budget, the District has set aside over three hundred million dollars (\$300,000,000) for the construction of the new hospital, an associated ambulatory pavilion, and parking.
 - c. Develop enhanced inpatient and outpatient reimbursement rates for the new hospital that pay the maximum allowable cost under Medicaid regulations based upon the new hospital’s status as a private facility in an underserved area. In addition, the District expects that the new hospital will qualify for and receive its permissible share of disproportionate share hospital payments; and

- d. Support GWUH strategies that improve health access and quality and reduce health disparities throughout the District.
13. Specifically, GWUH will make substantial financial investments in new healthcare infrastructure and services in Wards 7 and 8 which may include, but are not limited to:
- a. Routine capital expenditures at the new hospital;
 - b. Inclusion of the new hospital in UHS's group purchasing organization;
 - c. Estimated start-up working capital at the new hospital;
 - d. A comprehensive urgent care strategy that shall include urgent care facility(ies), including medical equipment, technology-based virtual delivery alternatives, and other state-of-the-art methods in providing the most efficient urgent care needs to the community;
 - e. Significant design and construction savings from UHS's expertise in developing and constructing state-of-the-art, highly efficient acute care facilities;
 - f. Consulting and implementation savings from UHS's expertise in development, execution, and integration of a comprehensive Cerner electronic medical platform across both the inpatient and outpatient continuum;
 - g. Integration of the new hospital with GWUH, GW, and MFA to provide fully integrated health care delivery to the residents of Wards 7 and 8; and
 - h. Corporate support, expertise, and resources in critical areas of hospital management, operations, and oversight, including:
 - i. Clinical integration;
 - ii. Patient experience;
 - iii. Revenue cycle;
 - iv. Quality performance and management;
 - v. Physician practice management;
 - vi. Quality performance and improvement processes;
 - vii. Managed care contracting;
 - viii. Human resources and recruitment;
 - ix. Risk management and insurance;
 - x. Supplies and services purchasing and contracting;
 - xi. Facilities engineering and management; and
 - xii. Real estate oversight and management.
14. The value of the investments, expertise, and resources that GWUH will bring to the new hospital, as listed in Section 13 of this Article, shall total at least \$75 million over 10 years.

15. GWUH will also be responsible for the operating costs associated with the new Ward 7 and 8 health care infrastructure investments, including the new hospital. The District will contemplate a time-limited contribution of working capital to the new hospital to support initial start-up and operating costs.
16. A timeline, based on the work performed under this LOI, will be established for GWUH's investments across the District, which will prioritize investments in Wards 7 and 8 so that such investments are made before, or at the same time as, investments in other District wards.

UMC-Related Items

17. Any costs of ending operations and financial liabilities at United Medical Center ("UMC") will be the responsibility of the District.
18. The Parties will be responsible for identifying how UMC's skilled nursing facility continues to operate or that care is appropriately transferred to a new facility in compliance with applicable laws governing long term care.

Community Engagement

19. The Parties agree to collaborate on the planning and implementation of a comprehensive community and provider engagement process to receive input and convey information about this LOI, the New Hospital Agreement, and how future operations of the health care system will meet resident needs and improve the delivery of health care.

ARTICLE II

DEVELOPMENT OF DETAILED MASTER FACILITY PLAN AND NEW HOSPITAL AGREEMENT

1. The Parties agree to work together to develop a master facility plan ("Master Facility Plan") and comprehensive partnership agreement (the "New Hospital Agreement") between the District and GWUH to finance and construct the new, state-of-the-art, community hospital (the "New Hospital") as part of an integrated health system located on the St. Elizabeths East Campus described in Article I of this LOI, to be operated by GWUH.
2. The Master Facility Plan shall include the following elements:
 - a. The location of the New Hospital (the Parties agree that the New Hospital will be located on the St. Elizabeths East Campus, Parcel 2);

- b. The final specifications of the New Hospital size, including the final number of beds, to include approximately 100-125 inpatient beds with the final number to be determined in coordination between the District and GWUH;
- c. The medical services to be provided at the New Hospital, which will include non-high risk obstetric services and Level 1 well newborn nursery services with higher level newborn and neonatal intensive care unit services being provided at GWUH's Foggy Bottom Facility or another regional hospital as required;
- d. A physical design plan and general schematics;
- e. A detailed plan for the long-term management, operations, and maintenance of the New Hospital;
- f. A list of GWUH's operational partners, if any, and the role of each partner (including whether the partner will be a party to the contractual agreement between the District and GWUH);
- g. A detailed description of the teaching, learning, and research elements to be provided by GW and MFA;
- h. A description of any ancillary facilities or healthcare infrastructure or service investments, including their costs, necessary to directly support the New Hospital, including the construction of a new homeless shelter on the St. Elizabeths East Campus Parcel 2, parking, retail, transportation and site infrastructure;
- i. A transportation plan and infrastructure for staff, visitors, and patients to access the new facilities, to include pedestrian and bike access, vehicular access and parking, Metro and/or shuttle bus access to and from the Congress Heights and Anacostia Metrorail stations, and any transport necessary to move patients quickly to other medical facilities to include helicopter landing pads;
- j. A health care delivery plan that includes the strategy for inpatient services as well as an ambulatory care and network to provide primary and specialty ambulatory care, surgery, and diagnostic services to serve pre- and post-acute outpatient needs;
- k. A detailed financial plan, including a feasibility analysis, demonstrating that the New Hospital, and any ambulatory and ancillary facilities, are financially viable on a long-term, self-sustaining basis. The financial plan shall include:
 - i. Construction cost estimates;
 - ii. Startup and working capital cost estimates;
 - iii. Operating cost estimates;
 - iv. Capital cost estimates; and
 - v. If applicable, revenue sharing;

- l. The financial commitments of the Parties (consistent with the commitments set forth in Article I of this LOI);
 - m. The governance structure for the New Hospital (the Parties agree that the New Hospital will be governed by a Board, a majority of whose members will be officers, employees, or appointees of GWUH);
 - n. The healthcare infrastructure and service investments related to this LOI that GWUH will make to improve health care access and quality in Wards 7 and 8 and the investments related to this LOI that GWUH intends to make to improve health care access and quality in other parts of the District;
 - o. A detailed community and provider engagement and communications plan; and
 - p. A detailed timeline for the implementation of each major element of the Master Facility Plan.
3. Based on the Master Facility Plan, which includes the feasibility analysis referred to in paragraph 2.k of this Article, and contingent on the mutual agreement of the Parties, the Parties will negotiate and (subject to the approval of the Council of the District of Columbia, if such approval is required under District law) execute the New Hospital Agreement which shall set forth the specific obligations of the Parties with respect to the financing, development, management, operations, and maintenance of the New Hospital and associated facilities. The New Hospital Agreement may include both of the GWUH partners, as well as UHS and MFA, as additional parties to the agreement in order to effectuate the purposes of this LOI.
 4. The goal of the Parties is to finalize the comprehensive Master Facility Plan by October 31, 2018.
 5. The goal of the Parties is to finalize the New Hospital Agreement for Council review by December 31, 2018.
 6. The goal of the Parties is for the New Hospital to be open and operational in calendar year 2023.

ARTICLE III

ONGOING OPERATION OF UNITED MEDICAL CENTER BY THE NOT-FOR-PROFIT HOSPITAL CORPORATION

The District will work to ensure that UMC, through the Not-for-Profit Hospital Corporation, will continue to operate with the goal of providing the highest quality of care possible to District residents from the signing of this agreement until the New Hospital is opened so that all residents

continue to have access to health care services and any patients needing services receive comprehensive and quality services. To achieve this goal, UMC, through its hospital operator(s), and under the oversight of its Board of Directors, must continue to create partnerships to institute quality improvement measures and cost-containment to stem operating losses. GWUH is not and will not be responsible for operating the current UMC. At the appropriate time, the District will work with the UMC Board of Directors, and in coordination with GWUH, to establish a comprehensive, responsible, and regulatorily approved “closure plan” for timely submission to all applicable federal and local regulatory bodies, including the District Department of Health (“DC Health”).

ARTICLE IV

WORKING GROUP

1. Upon signing of this LOI, the Parties will form and maintain a working group composed of representatives of the District and representatives of GWUH, including GW, as well as MFA.
2. The purpose of the working group is to establish a structured mechanism for the Parties to develop the comprehensive contractual agreement formally committing the parties to the New Hospital, other facilities, and other commitments and any legislation necessary to effectuate the contractual agreement.
3. The working group shall meet regularly at times and locations to be determined by the Parties.
4. The District, with support from its consultant(s), shall provide primary administrative support to the working group. GWUH shall provide supplemental administrative support to the working group at the request of the District.
5. The Parties will establish a community engagement strategy to ensure that resident and existing provider feedback is included in the final agreement between the Parties. All comments received during the community engagement process will be made available to the public.

ARTICLE V

BINDING PROVISIONS

1. Exclusivity. The District acknowledges that GWUH will expend substantial sums of time and money in connection with legal, accounting, financial, and due diligence work to be performed in connection with the Proposed Project. Accordingly, the District will negotiate exclusively with GWUH, and no other entity or person, for a period that ends one hundred and eighty (180) days after the Effective Date of this LOI (the “Exclusivity Period”), on the termination of this LOI by GWUH, or on such date as is agreed to by the Parties in the event of termination of this LOI by the District, whichever is earliest.
2. Expenses and Legal Fees. Each Party agrees that it shall pay its own expenses and those of its respective agents, advisors, attorneys, and accountants with respect to carrying out of due diligence with respect to the Proposed Project and negotiation of this LOI and the New Hospital Agreement.
3. Termination of Letter of Intent. This LOI may be terminated by either Party without cause and without further obligation by either Party upon written notice given by either Party to the other Party, except that if this LOI is terminated by the District prior to the end of the Exclusivity Period, the obligations of the District pursuant to the Exclusivity provision as set forth in Section 1 of this Article, shall remain in effect for the remainder of the Exclusivity Period or such date as is agreed to by the Parties, whichever is earlier.

ARTICLE VI

MISCELLANEOUS PROVISIONS

1. Effective Date: This LOI shall become effective on the date set forth above (the “Effective Date”).
2. Modification: This LOI may be modified only by the written agreement of the Parties, and any such modifications will become effective on the date determined by the Parties.
3. Nature of Letter of Intent: The terms of this LOI reflect certain general terms and conditions that are intended to be an outline of an arrangement to be more fully negotiated by the Parties as part of the New Hospital Agreement. The Parties agree and acknowledge that (a) the New Hospital Agreement will be the result of the further negotiations of the Parties and (b) until such time, if any, as the Parties execute the New Hospital Agreement and the New Hospital Agreement has been approved by the Council of the District of Columbia (to the extent that such approval is required) and any necessary board or other governing entity of GWUH, no Party shall have any obligation to take any action or incur any liabilities with respect to the Proposed Project or this LOI.

4. Antideficiency Acts: The obligations of the District to fulfill financial obligations pursuant to this LOI are subject to the provisions of (i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349-1351, 1511-1519, (ii) D.C. Official Code § 1-206.03(e) ; (iii) D.C. Official Code § 47-105; (iv) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01-355.08; and (v) Section 446 of the District of Columbia Home Rule Act, D.C. Official Code §§ 1-204.46. No District official or employee is authorized to obligate or expend any amount under this LOI unless such amount has been appropriated by act of Congress and/or Council and is lawfully available.
5. Council Approval. The Parties acknowledge that certain aspects of the New Hospital Agreement may require the approval of the Council of the District of Columbia, and that if such approval is required, the New Hospital Agreement will not be fully effective until such approval is received.
6. No Third-Party Beneficiaries: This LOI is made solely and specifically for the benefit of the District and GWUH and their respective permitted successors and assigns, and no other person or entity shall have any right, interest, or claim hereunder or be entitled to any benefit under or on account of this LOI as a third-party beneficiary or otherwise.
7. Entire Agreement: This LOI constitutes the entire understanding and agreement of the Parties as to those matters contained in this LOI. No other oral or written understanding shall be of any force or effect with respect to the subject matters contained in this LOI, unless set forth in a subsequent amendment.
8. Severability: Should any provision of this LOI be held to be void, invalid, unenforceable or illegal by a court of competent jurisdiction, the validity and enforceability of the other provisions will not be affected thereby.
9. Governing Law: This LOI, including all parts incorporated by reference, shall be governed by and construed under the laws of the District of Columbia without regard to conflicts of laws principles.

[Signature page follows]

IN WITNESS THEREOF, the Parties have caused this LOI to be executed on the date herein above written.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Muriel Bowser
Mayor

**DISTRICT HOSPITAL PARTNERS, L.P. D/B/A GEORGE WASHINGTON
UNIVERSITY HOSPITAL**

Kimberly Russo
Chief Executive Officer