

## Case Study: Polk Medical Center



Polk Medical Center is a 25-bed Critical Access Hospital in Cedartown, GA, with \$18M in net revenue. The Cedartown-Polk County Hospital Authority was exploring alternatives to 15-year lease with Hospital Corporation of America (HCA), which was terming out in 18 months, and engaged Stroudwater's Affiliations team, led by Managing Director Robert Kirsch. In order to best-position Polk Medical Center for success while continuing to serve its community, Stroudwater performed a strategic options analysis and fair market value assessment for the Authority, which included lease renewal option, independent operations, or other partnerships. This yearlong process resulted in competitive RFPs broadcast to balance of not for profit regional partners and for-profit interest. After narrowing interest, the Authority interviewed finalists and selected Floyd Medical Center, a not-for-profit in neighboring Rome, GA.

With Stroudwater's support, the Authority and Floyd reached a deal, approved by the Georgia Attorney General, which allowed Polk Medical Center to thrive while continuing to fulfill its mission. The terms of the deal included the following:

- 40-year lease
- Commitment to build and finance a \$30 million replacement hospital alongside interstate
- Commitment to build and finance an additional \$15 million in supporting campus development to include Medical Office Building, retail and the like
- Commitment to invest in legacy hospital during construction
- Commitment to recruit a material number of both specialists and primary care physicians within 2-5 years
- Commitment to repurpose the old legacy hospital and campus
- Commitment to community to provide a PILOT (Payment in Lieu of Taxes) for lost city and county taxes as a result of moving operations from a for-profit (HCA) to not-for-profit
- Commitment to Authority to maintain their net worth at over \$1 million for term of lease
- Replacement hospital and campus (along with all movable assets) revert back to Authority at term of lease for \$1

STROUDWATER ASSOCIATES