

STATE OF LOUISIANA
COURT OF APPEAL, FIRST CIRCUIT

DOCKET NUMBER 2023-CW-0364

HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF TERREBONNE,
STATE OF LOUISIANA

PLAINTIFF-RESPONDENT

VERSUS

HOSPITAL SERVICE DISTRICT NO. 3 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA AND THIBODAUX REGIONAL HEALTH SYSTEM,
INC.

DEFENDANTS-APPLICANT

Motion for Leave to File Amicus Brief in Support of Application for Writs from
the 32nd Judicial District Court Parish of Terrebonne

Division "B"

The Honorable Jason A. Dagate, Presiding, No. 195-104

**MOTION FOR LEAVE TO FILE AMICUS BRIEF FILED ON BEHALF OF
THE ATTORNEY GENERAL OF THE STATE OF LOUISIANA**

Filed by:

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COURT OF APPEAL
1ST CIRCUIT
FILED

2023 APR 24 AM 11:39

RODD NAQUIN
CLERK

**THE ATTORNEY GENERAL'S
MOTION FOR LEAVE TO FILE AMICUS CURIAE BRIEF
[AND INCORPORATED MEMORANDUM]**

MAY IT PLEASE THE COURT:

NOW INTO COURT, through undersigned counsel, comes the State of Louisiana, through its chief legal officer, Jeff Landry, in his capacity as Attorney General, who respectfully moves this Honorable Court to allow him to file a brief amicus curiae in the above captioned matter.

1.

The State of Louisiana certifies that it has read the briefs of the parties, Hospital Service District No. 1, Parish of Terrebonne, and Hospital Service District No. 3, Parish of Lafourche and Thibodaux Regional Health System, Inc.

2.


The State of Louisiana has an interest in the adjudication of this issue because it involves the Attorney General's approval of a not-for-profit hospital acquisition under La. R.S. 40:2115.11 *et seq.* Specifically, no not-for-profit hospital shall be acquired by any person unless and until the acquisition is reviewed and approved by the attorney general. The State of Louisiana has an interest in assuring the continued existence of accessible, affordable healthcare facilities that are responsive to the needs of the communities in which they exist.

3.

The State of Louisiana's brief is helpful to this court in deciding the writ because the outcome of this decision affects the continued existence of accessible, affordable healthcare facilities in the State of Louisiana.

WHEREFORE, the State of Louisiana prays that its Motion for Leave to File Amicus Curiae Brief is granted.

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HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF TERREBONNE,
STATE OF LOUISIANA

NO. 2023-CW-0364

VERSUS

COURT OF APPEAL

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA AND
THIBODAUX REGIONAL HEALTH SYSTEM, INC.

FIRST CIRCUIT

ORDER

BASED ON THE ABOVE AND foregoing State of Louisiana’s Motion for
Leave to File Amicus Curiae Brief, **IT IS HEREBY ORDERED** that said motion
is **GRANTED**.

SIGNED AND DATED this ____ day of _____, 2023 in
_____, Louisiana.

**COURT OF APPEAL
FIRST CIRCUIT**

CERTIFICATE OF SERVICE AND VERIFICATION

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

BEFORE ME, the undersigned Notary Public, personally came and appeared:

CRAIG P. CASSAGNE, JR.

who did depose and state that he is an Assistant Attorney General for the State of Louisiana; that he has read the Motion and the allegations contained therein are true and correct to the best of his knowledge, information and belief. On the 24th day of April 2023, a copy of the Attorney General's Motion for Leave to File Amicus Brief was forwarded to the following by means indicated below:

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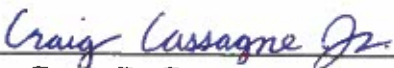
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SWORN TO AND SUBSCRIBED, before me, this 24th day of April 2023, at
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Notary Public

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INTEREST OF THE ATTORNEY GENERAL

Jeff Landry, the Attorney General of the State of Louisiana, through undersigned counsel, respectfully submits this legal memorandum in support of Defendant-Thibodaux Regional Health System's writ application seeking a stay, and ultimately a reversal, of the district court's preliminary injunction.

The district court's ruling puts the healthcare of the citizens of Terrebonne Parish at risk. The imminent closing of two healthcare clinics in Houma would result in at least hundreds, if not thousands, of Terrebonne Parish residents having to travel great distances in order to receive critical healthcare services. This would occur in a community that was recently devastated by Hurricane Ida, in which the only two hospitals in Terrebonne Parish were severely damaged. *See* <https://www.houmatoday.com/story/news/local/2021/08/31/hurricane-ida-shuts-terrebonnes-only-two-hospitals-mkeshift-facility-assembled/5665038001>. (last accessed 4/21/2023).

The Attorney General has the legal responsibility of "assuring the continued existence of accessible, affordable health care facilities that are responsive to the needs of the communities in which they exist." La. R.S. 40:2115.11. The shuttering of these two clinics would undoubtedly threaten accessible, affordable healthcare in Terrebonne Parish. Thus, the Attorney General respectfully asks this Court to extend the district court's stay in accordance with La. C.C.P. art. 2166.

STATEMENT OF THE CASE

Louisiana law provides that parishes may create hospital service districts, but those districts may not operate within the geographical boundaries of another parish without the consent of that parish. La. R.S. 46:1051; *see also Hosp. Serv. Dist. No. 2 of Par. of Lafourche v. Hosp. Serv. Dist. No. 1 of Par. of Terrebonne*, 97-1792, p. 3 (La. App. 1 Cir. 6/29/98); 716 So.2d 168, 169, *writ denied sub nom. Hosp. Serv. Dist. No. 2 of Par. of Lafourche v. Hosp. Serv. Dist. No. 1 of Par. of Jefferson*, 98-2039 (La. 11/13/98); 730 So.2d 450. Terrebonne Hospital Service District No. 1 (“Terrebonne HSD No. 1”) has filed suit against Lafourche Hospital Service District No. 3 and Thibodaux Regional Health System alleging they have engaged in unlawful conduct by operating two clinics in Terrebonne Parish without Terrebonne Parish’s consent. The district court granted Terrebonne HSD No. 1’s request for a preliminary injunction on April 6, 2023, and issued a 30-day stay of its ruling. Thibodaux Regional now seeks an application for supervisory writs and a request for stay and expedited consideration from this Court.

Louisiana law also provides that the Attorney General must approve all not-for-profit hospital mergers and acquisitions in the State of Louisiana. La. R.S. 40:2115.11. Here, an application involving Lafourche Hospital Service District No. 3 and Thibodaux Regional Health System (“Thibodaux Regional”) was submitted to the Attorney General in 2018 and approved on April 12, 2019. *See Exhibit A*. In that transaction, Thibodaux Regional Health System executed a lease for all of Lafourche Parish Hospital Service District No. 3’s assets. Thus, it is not Lafourche Hospital Service District No. 3 that is operating in Terrebonne Parish. Rather, it is Thibodaux Regional Health System, a private non-private corporation. Accordingly, the Attorney General respectfully submits this amicus brief in support of Thibodaux Regional Health System.

ARGUMENT

Thibodaux Regional asserts that the district court improperly granted Terrebonne HSD No. 1's request for a preliminary injunction and requests this Court to stay the district court's ruling, and ultimately, reverse and vacate the preliminary injunction. This Court should grant Thibodaux Regional's request for a stay and reverse and vacate the district court's ruling for a preliminary injunction because: (i) it closes two healthcare clinics in Houma that provide accessible, affordable healthcare to Terrebonne Parish citizens; (ii) the Attorney General approved Thibodaux Regional's acquisition of Lafourche HSD No. 3's assets because it was in the public interest; and (iii) Thibodaux Regional has not engaged in any unlawful conduct.

I. The imminent closing of two clinics will jeopardize access to affordable healthcare in Terrebonne Parish.

The district court's granting of Terrebonne HSD No. 1's request for a preliminary injunction with only a 30-day stay will reduce accessible, affordable healthcare services in Terrebonne Parish. Currently, Thibodaux Regional operates two clinics in Terrebonne Parish. As they have pointed out in their brief to this Court, Thibodaux Regional began operating an urgent care clinic in Houma back in September 2021. *See Thibodaux Health System's Application for Supervisory Writs of Certiorari or Review and Request for Stay and Expedited Consideration*, page 8. Then, in February 2022, Thibodaux Regional began operating a multi-specialty clinic in Houma. *Id.* at page 9. This clinic provides Houma residents with access to doctors in various specialties such as neurology, obstetrics/gynecology, pain management, podiatry, and pulmonology. *Id.* Many of these specialties are in areas that have been underserved in the community. *Id.* Additionally, there are hundreds of appointments booked at this clinic as of April 4, 2023. *Id.*

This Court has held that there must be a consideration of the public interest when considering the potential harm caused by the issuance of a preliminary injunction. *See Freeman v. Treen*, 442 So. 2d 757, 763 (La. App. 1 Cir. 1983). The closing of these clinics on May 5, 2023 would be in direct conflict with the public interest. As more fully explained below, the Attorney General is required to approve an application for a hospital acquisition unless he finds it is not in the public interest. La. R.S. 40:2115.17(A). The Attorney General approved Thibodaux Regional's lease of Lafourche HSD No. 3's assets on April 12, 2019. *See Exhibit A*. Nearly three years later, Terrebonne HSD No. 1 is attempting to shutter these clinics. During the course of his approval process, the Attorney General conducted a public hearing at which no one representing Terrebonne HSD No. 1 submitted an objection to the approval. Furthermore, these clinics have been operating for over a year prior to the initiation of this lawsuit. Without this Court granting a stay, on May 5, 2023, these clinics will close and accessible, affordable healthcare in Terrebonne Parish will be reduced. Thus, when balancing the potential harm to Terrebonne HSD No. 1 vs. that of the public interest, this Court should grant a stay of the preliminary injunction, and ultimately, reverse and vacate the district court's ruling.

II. The Attorney General approved the transaction between Lafourche HSD No. 3 and Thibodaux Regional because he found the acquisition was in the public interest and would assure the continued existence of accessible, affordable health care facilities in the community.

La. R.S. 40:2115.17(A) mandates that the Attorney General approve all applications for non-profit hospital acquisitions unless he finds it is not in the public interest. Importantly, the law requires that the Attorney General "shall approve the application unless he finds that the acquisition is not in the public interest." Thus, the Attorney General must find that such a transaction is not in the public interest in order to disapprove. One of the primary objectives when

analyzing a proposed hospital acquisition is “assuring the continued existence of accessible, affordable health care facilities that are responsive to the needs of the communities in which they exist.” La. R.S. 40:2115.11.

In accordance with La. R.S. 40:2115.11, Lafourche Parish Hospital Service District No. 3 (“Lafourche HSD No. 3”) submitted an application to the Louisiana Attorney General in December 2018 seeking approval of the proposed acquisition of Thibodaux Regional Medical Center (the “Hospital”) by Thibodaux Regional Health System (“Thibodaux Regional”). The application included extensive information about the parties and the proposed transaction, along with over one thousand pages of supporting documentation, including the proposed transaction documents.

Under the terms of the agreement, Thibodaux Regional, a Louisiana non-profit corporation, proposed to enter into a lease agreement with Lafourche HSD No. 3 to lease all of Lafourche HSD No. 3’s current assets, including its facilities and equipment. Thibodaux Regional also proposed to assume operations of Thibodaux Regional Medical Center and to continue to operate it as an accredited acute care hospital. Both Lafourche HSD No. 3 and Thibodaux Regional were clear that one of the purposes of the proposed lease was to allow the hospital to expand its operations beyond the territory of Lafourche HSD No. 3 and provide more citizens with accessible, affordable healthcare. The applicants explained that the ability to expand operations beyond the territory of Lafourche HSD No. 3 was necessary for the Thibodaux Regional Medical Center to effectively compete with other, larger healthcare providers in the region that are not subject to any territorial restrictions. By competing with larger health care providers, Thibodaux Regional would hopefully be able to reduce costs and increase access to care for the community.

Specifically, the application (Appendix D, “Descriptions of Negotiations of the Transaction”) explained that “significant changes . . . have taken place in the hospital healthcare delivery model over the years,” leading to increased efforts by hospitals to provide as much patient care as possible through outpatient clinics and centers that cost less and are closer to where patients live. *See* Exhibit B. The application further explained that changes in payment and reimbursement methods are requiring hospitals to create clinically integrated networks and expand to achieve economies of scale. *Id.* The application noted that community hospitals that “don’t have the financial strength to compete with the larger for profit or non-profit healthcare systems” are “closing or being acquired.” *Id.* Moreover, the application explained that the Hospital’s “primary service area,” as defined by federal regulations, encompasses five parishes, and that approximately 55% of the Hospital’s patients (and 60% of inpatients) come from outside the territory of Lafourche HSD No. 3. *Id.* This meant that the Hospital was unable to operate within its entire service area due to the geographical constraints of hospital service district laws.

As required by statute, the Attorney General scheduled a public hearing concerning the proposed hospital acquisition. La. R.S. 40:2115.15. Assistant Attorney General John Morris presided over the hearing, which was held on March 29, 2019. Greg Stock, the CEO of Thibodaux Regional Medical Center, spoke at length at the hearing and explained the purpose of the transaction was to allow the Hospital to expand beyond the borders of Lafourche HSD No. 3. This, in turn, would provide additional affordable, accessible healthcare to a greater number of patients within the Hospital’s primary service area.

On April 12, 2019, the Attorney General issued a letter approving the hospital acquisition. *See* Exhibit A. The approval was based on, among other

things, “the representations and information contained in the Application” and “the testimony at the public hearing held on March 29, 2019.” *Id.* As required by law, Thibodaux Regional is required to submit annual reports to the Attorney General for up to five years. La. R.S. 40:2115.19.

Based upon the information contained in the application, including voluminous documentation and testimony at the public hearing that occurred on March 29, 2019, the Attorney General found that the acquisition was in the public interest. The proposed acquisition met all the statutory requirements under La. R.S. 40:2115.11 *et seq.* and would assure the continued existence of accessible, affordable health care facilities in the community. Therefore, on April 12, 2019, the Attorney General issued a letter approving Thibodaux Regional’s acquisition of Lafourche HSD No. 3’s assets. *See Exhibit A.*

III. The Lafourche HSD No. 3 and Thibodaux Regional application to the Attorney General contained no plan to engage in any unlawful conduct or any conduct contrary to prior Attorney General Opinions.

Terrebonne HSD No. 1 has erroneously alleged that Lafourche HSD No. 3, through Thibodaux Regional, has engaged in unlawful conduct by operating outside of the Lafourche HSD No. 3’s geographic boundaries. The application, as submitted to the Attorney General however, did not appear run afoul of any such laws. While it is certainly true that Thibodaux Regional planned to expand the scope of their operations outside the territorial boundaries of Lafourche HSD No. 3, Thibodaux Regional is a non-profit corporation and is entitled to do so under Louisiana law.

Terrebonne HSD No. 1 points to *Hosp. Serv. Dist. No. 2 of Par. of Lafourche v. Hosp. Serv. Dist. No. 1 of Par. of Terrebonne*, 97-1792, p. 3 (La. App. 1 Cir. 6/29/98); 716 So.2d 168, 169, writ denied sub nom. *Hosp. Serv. Dist. No. 2 of Par. of Lafourche v. Hosp. Serv. Dist. No. 1 of Par. of Jefferson*, 98-2039 (La. 11/13/98); 730 So.2d 450 as support for their argument. There, this Court held

that hospital service districts could not operate outside of their territorial boundaries without the consent of another hospital service district.

Id. The issue here, however, is that Lafourche HSD No. 3's assets were acquired by Thibodaux Regional. Thus, as a non-profit corporation, Thibodaux Regional is entitled to the same lack of geographical constraints as other large hospitals systems, such as Ochsner Health System. Therefore, Thibodaux Regional is entitled to operate outside of the territorial boundaries of Lafourche HSD No. 3.

Terrebonne HSD No. 1 also cites to several Attorney General Opinions concerning this principle. *See* La. Atty. Gen. Op. Nos. 03-369, 07-0046, and 11-0262. First, in La. Atty. Gen. Op. No. 03-369 the Attorney General concluded that a hospital service district in one parish cannot manage/own a clinic in a neighboring hospital service district without an agreement between the districts as a joint venture or cooperative endeavor. Furthermore, the Attorney General stated that a hospital service district cannot establish a foundation that owns and/or manages a practice employing physicians in a neighboring hospital service district without an agreement between the districts. *Id.* Here, Thibodaux Regional is neither a hospital service district nor a foundation for Thibodaux Regional Medical Center (Lafourche HSD No. 3). Rather, Thibodaux Regional is a non-profit corporation that leased all of Lafourche HSD No. 3's assets, including buildings and equipment. Therefore, La. Atty. Gen. Op. No. 03-369 is not applicable to this case.

Second, in La. Atty. Gen. Op. No. 07-0046, the Attorney General stated that a nonprofit corporation that is a creature of a hospital service district and is acting as the agent of the district in exercising district powers, then "the nonprofit corporation can have no greater powers and authority, nor any less responsibility for compliance with state law, than has the District itself." In this case, the district court erred in holding that Thibodaux is a "creature" of or an "agent" for

Lafourche HSD No. 3. Lafourche HSD No. 3, like any other hospital service district, is free to enter into agreements (including leases of its assets) with non-profit corporations in order to better provide accessible, affordable health care facilities that are responsive to the needs of the communities.

Finally, the Terrebonne HSD No. 1 contends that La. Atty. Gen. Op. No. 11-0262 prohibits Thibodaux Regional from operating outside of the territorial boundaries of Lafourche HSD No. 3. In that opinion, the Attorney General concluded that a hospital service district may only expand beyond its district boundaries with the agreement of the district they are expanding into, and a CEA with a private party alone is insufficient. *Id.* Again, this opinion is quite distinguishable because the agreement between Thibodaux Regional and Lafourche HSD No. 3 was not a CEA. Rather, Thibodaux Regional leased all of Lafourche HSD No. 3's assets. Because Thibodaux Regional is a private non-profit corporation, it is not subject to the geographical boundaries of hospital service districts. Thus, Terrebonne HSD NO. 1's reliance on La. Atty. Gen. Op. No. 11-0262 is incorrect.

CONCLUSION


This Court should grant Thibodaux Regional's request for an extension of the district court's stay and reverse and vacate the district court's preliminary injunction because it puts the healthcare of Terrebonne Parish citizens at risk. The granting of the preliminary injunction jeopardizes access to affordable healthcare in Terrebonne Parish because two clinics providing critical healthcare services would close on May 5, 2023. The district court's ruling is contrary to the finding of the Attorney General that the transaction was in the public interest and would assure the continued existence of accessible, affordable health care facilities in the community. Moreover, the application to the Attorney General contained no plan to engage in any unlawful conduct. Therefore, Attorney General Jeff Landry urges

this Honorable Court to extend the stay of the district court in accordance with La. C.C.P. art. 2166.

PRAYER

WHEREFORE, the Attorney General of the State of Louisiana prays that this Honorable Court grant the Defendant's request to stay the district court's preliminary injunction until 30 days after the date that the district court's preliminary injunction ruling becomes final pursuant to La. C.C.P. art 2166.

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AFFIDAVIT, VERIFICATION, AND CERTIFICATION

STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE

BEFORE ME, the undersigned Notary Public, personally came and appeared:

CRAIG P. CASSAGNE, JR.

who, being first duly sworn, did depose and say that:

he is an Assistant Attorney General for the State of Louisiana; that he has read the brief and the allegations contained therein are true and correct to the best of his knowledge, information and belief. On the 24th day of April 2023, a copy of the Attorney General's Amicus Brief was forwarded to the following by service indicated below:

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Craig P. Cassagne, Jr.

SWORN TO AND SUBSCRIBED, before me, this 24th day of April 2023, at
Baton Rouge, Louisiana.


Notary Public



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State of Louisiana

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April 12, 2019

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Re: Attorney General Application Submitted Regarding Proposed transaction between Hospital Service District No. 3 of the Parish of Lafourche (d/b/a Thibodaux Regional Medical Center) and Thibodaux Regional Health System, Inc.

Dear Greg and Jerald:

You are hereby notified that the above-referenced Application filed with this office pursuant to La. R.S. 40:2115.11 et seq. on December 5, 2018, as supplemented on January 5, 2019 and thereafter, is hereby approved. The approval is based on the representations and information contained in the Application, as supplemented, the testimony at the public hearing held on March 29, 2019, as well as the criteria contained in La. R.S. 40:2115.17 and 2115.18.

The approval is subject to the following conditions:

(1) The execution of all documents necessary to close the transaction as described in the Application.

(2) Pursuant to La. R.S. 40:2115.19 and the regulations issued in connection therewith, for a period of five (5) years after the date of the closing of the transaction, the Applicants shall file annual reports with the Attorney General regarding commitments made in connection with the transaction on or before the anniversary of this approval. In addition to the information required by La. R.S. 40:2115.19 and LAC 48:XXV.317, each annual report shall include the following information:

(i) **Financial Statements**

a. Year-end, audited financial statements for Thibodaux Regional Health System, Inc. ("TRHS").



(ii) **Cost of Care to Patients**

- a. A summary breakdown of charges billed to and payments received from broad classes of payers (Medicare, Medicaid, commercial insurance, self-pay).

(iii) **Quality of Care**

- a. A description of how the above-described transaction is enabling projects, programs, or initiatives to improve the quality of care.
- b. A copy of any quality metrics submitted to the Centers for Medicare and Medicaid Services (CMS) and/or the Louisiana Department of Health (LDH) as a requirement for participation in Medicare and Medicaid.

(iv) **Access to Health Care**

- a. A description of any closures of facilities or significant reduction of service offerings at any TRHS facilities in the area. Include with any such reductions, a justification for reducing those services.
- b. A description of any planned new or increased services, new locations or facilities, or significant upgrades to existing locations or facilities.

(v) **Competition**

- a. A description of any current or planned acquisitions, joint ventures, or other partnership arrangements between any TRHS facilities in the region and any other health care providers, provider groups, or facilities.
- b. Any discussions or plans to sell Thibodaux Regional Medical Center ("TRMC") or any other TRHS facilities.
- c. Market share for TRHS hospitals in the region.
- d. A description of any current or planned acquisitions, joint ventures, or other partnership arrangements involving TRHS within the State of Louisiana.

(vi) **Transaction Proceeds**

- a. Evidence of on-time payments from TRHS to Hospital Service District No. 3 of Lafourche Parish pursuant to the promissory note.
 - b. Please provide a statement and details of any offsets or credits earned by TRHS, which thereby reduce amounts owed under the promissory note.
-

Mr. Gregory Keith Stock
Mr. Jerald P. Block
April 12, 2019

Please note that these reporting requirements are mandatory and specifically authorized by La. R.S. 40:2115.19 and LAC 48:XXV.317. Should you have any questions or comments, please let us know.

Yours very truly,

JEFF LANDRY
ATTORNEY GENERAL

BY:



JOHN C. MORRIS IV
Assistant Attorney General

Cc: Elizabeth Murrill, *via email*
Beverly Haydel, *via email*
Craig Smith, *via email*
Phillip Street, *via email*

Hospital Service District No. 3 of the Parish of Lafourche
Request for Information Form for Certain Nonprofit Mergers, Sales and Acquisitions

APPENDIX D

DESCRIPTION OF NEGOTIATIONS OF THE TRANSACTION

By way of brief background, Thibodaux Regional Medical Center (the "Hospital") is owned by Hospital Service District No. 3 of the Parish of Lafourche (the "Hospital District"). The Hospital is managed by the Hospital District's Board of Commissioners and the Hospital's executive leadership team. The Hospital's mission is to provide the highest quality, most cost effective health care services possible to the people of Thibodaux and surrounding areas. The Hospital provides highly specialized services such as general surgery, heart surgery, radiation and medical oncology, neurology, neurosurgery, plastic and reconstructive surgery, pulmonology, orthopedics, obstetrics and physical rehab services and has Centers of Excellence in Spine, Cancer, Heart & Vascular, Sports Medicine, Wellness, Women's Services and Weight Management.

Although the Hospital has been very successful in fulfilling its mission thus far, the Hospital's leadership is aware of the significant changes that have taken place in the hospital healthcare delivery model over the years. Rather than providing all healthcare services within a hospital's main campus, hospitals are endeavoring to deliver as much patient care outside of the hospital in outpatient clinics and centers, as such services are often able to be delivered at a lower cost. Further, patients want to obtain as many services as possible in outpatient clinics and centers which are closer to where they live. Payment for services is shifting from procedure based reimbursement to payment for performance and bundled care models, which is requiring hospitals to create and operate clinically integrated networks. Reimbursement amounts paid by both governmental and commercial payors are continuing to decrease but the cost of providing specialized and quality services are continuing to go up. Larger hospitals are expanding in order to achieve economies of scale and attract more patients, all at the expense of community hospitals many of which don't have the financial strength to compete with the larger for profit or non-profit healthcare systems. As a result of all of these changes, weaker community hospitals are closing or being acquired.

Centers for Medicare and Medicaid Services (CMS) defines a hospital's primary service area to be composed of the lowest number of contiguous zip codes from which the hospital draws at least 75% of its inpatients. Using this definition, the Hospital's primary service area encompasses 5 Parishes – St. James, Lafourche, Terrebonne, Assumption and St. Mary's. Approximately 55% of the Hospital's total patients and 60% of the Hospital's inpatients come from outside of the Hospital District's territory. However, as a Hospital Service District owned hospital, the Hospital may only provide services within the Hospital District's territory, which is limited to the portion of Lafourche Parish comprising council wards 1, 2, 5 and 6. At the same time, non-profit and for profit hospital systems operate on a totally different playing field without any territorial restrictions. This means that they can build outpatient clinics and centers



throughout Louisiana including in the Hospital District’s territory and close to the Hospital’s patients outside of the Hospital District’s territory, but the Hospital is barred from competing with them. These territorial restrictions are prohibiting the Hospital from adapting to the evolving healthcare market, adversely affecting the Hospital’s ability to carry out its mission and jeopardizing the Hospital’s long term viability.

The Hospital’s leadership has been considering these challenges for many years and sought the advice of outside counsel and advisors who specialize in healthcare matters, as generally described below:

- Since 2012, the Hospital District Board of Commissioners (the “Hospital District Board”) has worked with attorneys Craig Smith and Jerald Block to strategize a possible transaction involving the formation of a 501(c)(3) organization.
- From 2012 through 2014, the Hospital District Board worked with Randy Haynie of Haynie & Associates, a lobbying firm. Mr. Haynie advised the Hospital District Board with respect to certain changes to Louisiana state laws governing Hospital District operations that would be required in order for the Hospital District to operate outside of its boundaries.
- In 2014 and 2015, the Hospital District Board engaged Chris Carnahan and the Carnahan Group to assist with preparing a fairness opinion for the proposed transaction.
- In 2017, the Hospital District Board engaged Deloitte Transactions and Business Analytics, LLP (“Deloitte”) as an outside advisor to prepare a fairness opinion for the proposed transaction. The table below details the Hospital District’s meetings with Deloitte.

Date	Attendees	Topic	Type of Meeting
10/10/17	TRMC: Greg Stock, Steve Gaubert King & Spalding: Craig Smith, Philip Street Deloitte: Jimmy Peterson, Brad Tate, Jon Wixom, David Gibbs	Kick-off call with TRMC, King & Spalding and Deloitte	Site Visit
10/18/17	TRMC: Greg Stock, Steve Gaubert King & Spalding: Craig Smith Deloitte: Jimmy Peterson, Brad Tate, Jon Wixom	Discuss preliminary model indications and outputs	Call
10/24/17	TRMC: Greg Stock, Steve Gaubert King & Spalding: Craig Smith, Philip Street Deloitte: Jimmy Peterson, Brad Tate, Jon Wixom, David Gibbs	Review preliminary financial model assumptions and initial model outputs	Call
10/24/17	TRMC: Greg Stock, Steve Gaubert Deloitte: Rick Vaninger, Ashley Park	Facilities inspection, walkthrough, and data gathering	Site Visit
11/1/17	TRMC: Steve Gaubert Deloitte: Brad Tate, Jon Wixom, David Gibbs	Review revised financial model assumptions and updated model outputs	Call

Date	Attendees	Topic	Type of Meeting
11/3/17	TRMC: Greg Stock, Steve Gaubert King & Spalding: Craig Smith, Philip Street Deloitte: Jimmy Peterson, John Solomon, Mark Pighini, Brad Tate, Jiten Sanghvi, Rick Vaninger, Jon Wixom	Review updated financial model outputs, services provided to date, and proposed report outline	Call
11/6/17	TRMC: Steve Gaubert Deloitte: Brad Tate, Jon Wixom	Detailed review of financial model outputs	Call

Thibodaux Regional Health System, Inc. (the “Lessee”) has was formed as a Louisiana non-profit corporation on November 13, 2018 at the direction of the Hospital District, and the Transaction Documents have been prepared at the direction of and with the terms established by the Hospital District. Lessee is planning to file a Form 1023 (Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code) with the Internal Revenue Service. The Transaction and Transaction Documents have been reviewed and approved by the unanimous vote of the disinterested members of the Hospital District’s Board of Commissioners and the unanimous vote of the disinterested members of Lessee’s Board of Directors.

