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# State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES  
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August 9, 2019

His Excellency, Governor Christopher T. Sununu  
and the Honorable Council  
State House  
Concord, New Hampshire 03301

### REQUESTED ACTION

Approval of the Report and Findings of Councilor Theodore L. Gatsas with regard to a certain project in participation with Elliot Hospital, Manchester, NH and Southern NH Medical Center, Manchester and Nashua, NH.

### EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Gatsas has requested that this be placed on the agenda as a regular item for the Wednesday, August 28, 2019 meeting for ratification by the Governor and Council.

Sincerely,

Charles M. Arlinghaus  
Commissioner

CMA/dph

Attachment

**REPORT  
AND  
FINDINGS  
OF**

**THEODORE L. GATSAS**, designee of the Governor and Council of The State of New Hampshire, under the provisions of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, on the undertaking by the Authority of a certain project in participation with **ELLIOT HOSPITAL OF THE CITY OF MANCHESTER**, of Manchester, New Hampshire and **SOUTHERN NEW HAMPSHIRE MEDICAL CENTER** of Nashua, New Hampshire, and their affiliate, **SOLUTIONHEALTH** of Bedford, New Hampshire, pursuant to said Act.

**Introductory**

The New Hampshire Health and Education Facilities Authority (hereafter referred to as the “Authority”), requested of Governor Christopher T. Sununu and the Executive Council that a hearing be held pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated (the “Act”), and particularly as prescribed in Section 21 of the Act. The hearing is required as the result of an application submitted to the Authority by Elliot Hospital of the City of Manchester (“Elliot”) and Southern New Hampshire Medical Center (“Southern NH” and together with Elliot, the “Hospitals”), both of which are not-for-profit charitable corporations incorporated under New Hampshire law and operating hospital facilities located in Manchester, New Hampshire, and in Nashua, New Hampshire, and both of which are participating health care institutions under RSA 195-D:3. Such applications seek the participation of the Authority, under the Act, in the financing of certain of each Hospital’s capital expenditures (collectively, the “Project”).

Pursuant to RSA 195-D:21, the Governor and Council designated me to hold a hearing and make findings in connection with the applications. Following Public Notice given in accordance with Chapter 91-A of the New Hampshire Revised Statutes Annotated, by notice published in the New Hampshire Union Leader on July 31, 2019, the hearing was held commencing at 10:00 a.m. on Tuesday, August 6, 2019, in Conference Room 1 on the Lobby Level of the Elliot Hospital’s

River's Edge Ambulatory Care Center, 185 Queen City Avenue, Manchester, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

### **Summary of Testimony**

Paul Trainor, the Senior Vice President of Finance and Chief Financial Officer of Southern New Hampshire Medical Center was the first witness. He described SolutionHealth as a New Hampshire not-for-profit corporation and a federally recognized 501(c)(3) organization. SolutionHealth was formed in June of 2018 in order to provide an integrated health system focused on providing access to high quality primary and specialty care in the southern New Hampshire community it serves. SolutionHealth is the sole member of Elliot Health System, Inc., the parent of Elliot Hospital of the City of Manchester, and of Southern New Hampshire Health System, the parent of Southern New Hampshire Medical Center. SolutionHealth is committed to innovative models of care and collaboration that improve the health and wellbeing of more than half a million residents of the region that it serves.

Mr. Trainor described Southern NH as a voluntary not-for-profit corporation organized under New Hampshire law exclusively for charitable purposes and next stated that the Hospital is licensed for 188 beds, of which 116 beds are medical/surgical, 8 beds are pediatric, 11 beds are intensive/coronary care, 23 beds are obstetrics/gynecology, and 30 beds are behavioral health. Mr. Trainor described the Hospital as providing services characteristic of an acute care, community hospital to medical, surgical, obstetric, and emergency care patients in a primary service area consisting of Nashua and 11 other communities and a secondary service area consisting of some 11 communities.

Mr. Trainor testified that the Hospital provides a full spectrum of inpatient and outpatient services. The Hospital is licensed by the New Hampshire Department of Health and Human

Services and is accredited by Det Norske Veritas and Germanischer Lloyd (DNV GL). The Hospital is approved for participation in the Medicare and Medicaid programs and is a member of the New Hampshire Hospital Association and the American Hospital Association.

Mr. Trainor stated that the Southern NH portion of the Project involves approximately \$25 million of financing of an EPIC System which includes software, hardware, internal and external implementation costs for the System and various medical equipment including a CT scanner, a Cysto table, and fluoroscopy unit, estimated use of funds is shown on Appendix B-2. He stated that the capital equipment being acquired will be through a lease financing and that the financing will also be used to pay certain costs of issuance. Mr. Trainor confirmed that under the Lease Agreement, Southern NH will be required to carry blanket fire and extended coverage insurances as well as general liability insurance.

Mr. Trainor testified that based upon his position and his familiarity with the finances of Southern NH, it is his opinion that Southern NH will be able to meet its financial obligations under the proposed Lease and that Southern NH is currently operating in a fiscally responsible manner. Mr. Trainor concluded his testimony by stating it is his position that the capital items financed as part of the Project are necessary to provide the Hospital's patients and other clients with appropriate health care facilities and services and that the Project will be of public use and benefit.

Michael Turilli, the Chief Financial Officer of the Elliot, was the next witness. He described the Elliot as a not-for-profit corporation organized under New Hampshire law exclusively for charitable purposes.

Mr. Turilli stated that the Hospital is licensed for 296 beds of which 250 are currently staffed. He described the Hospital as providing, in conjunction with its Elliot Health System affiliates, a broad spectrum of inpatient and outpatient services at the Hospital's main campus in

Manchester. The Hospital is a premier health care provider in many disciplines and is the designated trauma center for the greater Manchester area. The main campus is also home to the Elliot Regional Cancer Center and The Max K. Willscher Urology Center. The Hospital also operates urgent care centers in Londonderry, Bedford, and at its River's Edge Ambulatory Care Center in Manchester.

Mr. Turilli testified that the Elliot portion of the Project involves the acquisition of certain equipment and other normal capital expenditures including but not limited to medical equipment such as C-arms, a linear accelerator, a vault, lab equipment, software, hardware, licenses, microscopes and MRI surgical tables and lights, estimated use of funds is shown on Appendix B-1. Financing proceeds may also be used to pay certain costs of issuance.

Mr. Turilli stated that Elliot expects to incur approximately \$21 million of debt under a lease financing which have a term of no more than ten years. He confirmed that under the Master Lease Agreement, Elliot will be required to carry blanket fire and extended coverage as well as general liability insurance.

Mr. Turilli testified that based on his position as Chief Financial Officer of Elliot and his familiarity with the finances of Elliot, it is his opinion that Elliot will be able to meet its financial obligations under the proposed lease and the Hospital is currently operating in a financially responsible manner. Mr. Turilli concluded his testimony by stating that it is his opinion that the capital items financed as part of the Elliot portion of the property are necessary to provide the Hospital's patients and other clients with appropriate health care facilities and services and the Project will be of public use and benefit.

Bonnie Payette was the final witness called. She stated that she is the Executive Director and Secretary of the New Hampshire Health and Education Facilities Authority, charged with the

administration of the Authority's day-to-day affairs. In her capacity as Executive Director she has become acquainted with the Project and the details of its financing, having worked closely with each Hospital's officers in developing the financial arrangements to be reflected in the proposed leases. She stated that the Authority has voted to enter into the leases for the Project, subject to compliance being had with all laws bearing upon such issue and the advice of counsel, including Bond Counsel. She testified that the Authority adopted a resolution on July 18, 2019, approving the lease financing for the benefit of Elliot Hospital of the City of Manchester and Southern New Hampshire Medical Center.

Ms. Payette testified that certain documents are being prepared for execution in connection with the Project, including Master Lease Agreements to be entered into among a bank, as Lessor, the Authority, and each Hospital. She stated that there will be a provision in each Master Lease Agreement under which each Hospital will be obligated to hold and use its portion of the Project for healthcare purposes so long as the relevant lease is outstanding. She testified that there will be language in each Master Lease Agreement which states that neither the State of New Hampshire nor any political subdivision thereof shall be obligated to pay the principal of or interest on the lease obligations, other than from revenues provided by each Hospital, and neither the faith and credit nor the taxing power of the State of New Hampshire or of any political subdivision thereof is pledged to the payment of the principal of or interest under the lease.

Ms. Payette testified that the Master Lease Agreements will make adequate provision for the payment of principal and interest on the lease obligations by the lessee Hospital, as well as the costs of the Project, so that the State will not be obligated in any way for their repayment.

Ms. Payette concluded her testimony by stating that, based on her familiarity with the statute under which the Authority operates, on her experience as Executive Director of the

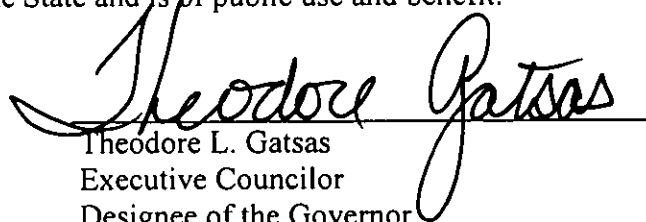
Authority, and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred by law upon the Authority.

### Findings

Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

- (1) The construction and acquisition of the Project, as the same is described in such testimony, will enable and assist Elliot Hospital of the City of Manchester and Southern New Hampshire Medical Center (herein called the "Hospitals"), both not-for-profit participating healthcare institutions located in Manchester and Nashua, New Hampshire, to provide healthcare facilities within the State of New Hampshire (herein called the "State"); and
- (2) The Project will be leased to, or owned by, the Hospitals, which are a financially responsible participating institution within the State; and
- (3) Adequate provision has been, or will be, made for the payment of the cost of the construction and acquisition of the Project; and under no circumstances will the State be obligated, directly or indirectly, for the payment of the principal of, or interest on, any obligations issued to finance such construction and acquisition; and
- (4) Adequate provision has been, or will be, made in any lease or mortgage of the Project to be undertaken or any property leased or mortgaged in connection with the issuance of bonds, notes or lease obligations for the payment of all costs of operation, maintenance and upkeep of the Project by the Hospitals so that under no circumstances will the State be obligated, directly or indirectly, for the payment of such costs; and
- (5) Adequate provision has been made to obligate the Hospitals to hold and use the Project for healthcare purposes so long as the principal of and interest on bonds, leases or other obligations issued by the New Hampshire Health and Education Facilities Authority (herein called the "Authority") to finance the cost of the Project, including any refunding bonds or obligations issued to refund and refinance such bonds or obligations, have not been fully paid and retired and all other conditions of the resolution, trust agreement or Master Lease Agreements authorizing and securing the same have not been satisfied and the lien of such resolution or trust or lease agreements have not been released in accordance with the provisions thereof; and
- (6) The construction and acquisition of the Project will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and
- (7) The construction and acquisition of the Project serves a need presently not fulfilled in providing healthcare facilities within the State and is of public use and benefit.

Dated: August 6, 2019

  
Theodore L. Gatsas  
Executive Councilor  
Designee of the Governor  
and Council



APPENDIX B-1  
June 28, 2019

Elliot Health System Proposed Equipment

Item Description	Cost	Economic Life	Weighted Life
Pharmacy Automation Upgrades for EMR Integration	3,150,000	10	31,500,000
IP Video Encoders	25,546	6	127,730
Breath Hold System Replacement	103,000	7	721,000
EPIC Required Hardware Upgrades FY 20	165,000	5	825,000
Stryker Stretchers	78,730	10	787,300
Stryker Core Power Console	49,930	10	499,300
TEE Probe	39,539	5	197,695
Tissue-Tek Prisma Plus Automated Stainer	141,417	7	989,919
Replacement of MRI at Hospital	3,105,828	5	15,529,130
Replace SQL 2008 server with 2018 Server	18,920	5	94,600
EMG Equipment Replacement	67,599	7	473,193
SolutionHealth Epic Third Party Software for sNHH Epic Implementation	1,700,000	5	8,500,000
Clorox Optimum-UV	198,000	7	1,386,000
Muse EKG System upgrade to V9	17,988	7	125,778
Power Assisted (PAL) Handpiece, Cable,	15,025	5	75,125
CT Scan Rib Fracture Detection Software	28,480	5	132,300
Security Vehicle	38,995	4	147,980
Intellispace Echo Software Upgrade	80,808	5	403,040
Graft Master III	11,585	5	57,925
Blood Bank Alarmed Refrigerator	6,858	10	68,580
PowerScribe 380 Voice Recognition Software Upgrade	40,500	5	202,500
Gas Flow Analyzer	10,710	8	85,680
Electrosurgical Analyzer	6,960	7	48,720
Tracer Summit Upgrade	200,000	5	1,000,000
Stretcher	8,928	10	89,280
Kronos Terminal Replacement	211,200	5	1,058,000
ITSG Server Systems - Server Capacity Refresh, Growth and Upgrades	200,000	5	1,000,000
ITSG Facilities - Secondard UPS for Londonderry Datacenter	160,000	5	800,000
Epic License Increase - Inpatient Annual Days & Annual Prescription Dispenses	144,000	3	432,000
ITSG Workstation and Peripheral Obsolescence	784,000	5	3,820,000
ITSG Network Systems - Small Remote Office Router Replacements	140,000	5	700,000
ITSG Network Systems - Network Redundancy Large Sites	120,000	5	600,000
Kronos Upgrade	52,040	5	260,200
Firewalls to Provide Business Continuity Assurance	90,000	3	270,000
Blanketrol III	8,181	7	57,127
Trophon for High Level Disinfection	30,000	5	150,000
ECHO EPIQ Cardiac Ultrasound Machine Upgrade	80,801	7	565,607
Leica IP C Histology Cassette Printer	29,603	5	148,015
Leica Histocore Autocut Microtome	18,555	7	138,885
Multi-Head Microscope	30,378	7	212,632
Beckman Coulter DxM WalkAway Microscan Instrument with UPS	88,500	7	619,500
Replacement Bone Densitometry DEXA Unit	44,200	7	309,400
Upgrades to 3D High Resolokun Mammography	832,360	5	4,181,800
Gamma Camera	380,275	5	1,801,375
Storz Video Tower Upgrade	722,208	5	3,611,040
Integration of Vital Signs Monitors into EPIC	35,000	5	175,000
3D Surgical C-Arm	152,500	7	1,067,500
Surgical C-Arm	227,834	7	1,594,838
Replacement Bone Densitometry DEXA Unit	44,200	7	309,400
Breast MRI CAD Software Upgrade	33,728	5	168,640
Replacement Bone Densitometry DEXA Unit	44,200	7	309,400
Linear Accelerator (price from Cancer Center pro-forma worksheet)	2,100,000	10	21,000,000
Vault	2,320,000	30	69,600,000
Cancer Center Furniture, Fixtures & Equipment	2,000,000	7	14,000,000
<b>Total</b>	<b>20,388,843</b>	<b>9.47</b>	<b>192,984,112</b>

APPENDIX B-2  
June 28, 2019

Southern New Hampshire Health System Proposed Equipment

<u>Item Description</u>	<u>Cost</u>	<u>Economic Life</u>	<u>Weighted Life</u>
EPIC (Includes software, hardware, internal & external implementation costs)	20,366,325.00	10	203,663,250
Cath Lab Xray system replacement (Siemens or GE)	824,991.00	12	9,899,892
McKesson SCM Upgrade	80,000.00	5	400,000
CT Scanner	1,100,000.00	10	11,000,000
Cysto Table	419,273	10	4,192,727
Surgical Lights	103,301	10	1,033,014
Spy Elite or Pholomvue(T. Guilford)	181,346	7	1,269,421
Replace fluoscopy unit	550,000	10	5,500,000
Chemistry Analyzers replacement - Atellica (Lab Automation)	600,000	8	4,800,000
Hospital TV Refresh w/Smart TVs	75,000	7	525,000
Inpatient Standard Beds X 8 (Stryker S3 PX4-3005)	83,800	15	1,257,000
Total	24,384,036	9.99	243,540,304

**RATIFICATION AND GOVERNOR'S APPROVAL**

The Governor and Council hereby ratify, confirm, approve and adopt the findings set forth in the Report and Findings attached hereto made by Theodore L. Gatsas, the Designee of the Governor and Council to hold a hearing and make findings pursuant to Section 21 of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated. The hearing was required and held as a result of an applications submitted to the New Hampshire Health and Education Facilities Authority by Elliot Hospital of the City of Manchester and Southern New Hampshire Medical Center, both not-for-profit hospitals licensed by the State of New Hampshire and located in Manchester and Nashua, New Hampshire. The hearing was held on August 6, 2019, following public notice, in Conference Room 1 on the Lobby Level of the Elliot Hospital's River's Edge Ambulatory Care Center, 185 Queen City Avenue, Manchester, New Hampshire at 10:00 o'clock in the forenoon.

The Governor's signature constitutes his approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the lease obligations described herein and in the hearing conducted by the Authority on August 22, 2019, as described in the Notices of Public Hearing published on July 31, 2019 and August 15, 2019.

Dated: August 28, 2019

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Governor and Council:

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