

INSIGHT TRANSACTION FACT SHEET

In July 2024, The San Benito Health Care District and Insight entered into an agreement that was outlined in a Term Sheet. The Term Sheet spells out many of the details that will eventually be part of the final agreement documents if the voters approve Measure X, allowing the District to enter into a "lease to sell" agreement with a qualified buyer. The following outlines some of the significant considerations that are included in the Term Sheet.

- **The transaction is appraised at fair market value**
 - Health Care District Law requires any transfer of District assets to be at fair market value, as determined by an independent third-party appraiser. In this case, the assets have been valued at between \$55 and \$65 million. The Term Sheet between the District and Insight contemplates a transaction at the appraised value of the assets.
- **Insight has committed to retain and expand the District's current staff**
 - According to the Term Sheet, Insight agreed to certain covenants, which are enforceable by the District, including the offer of employment to at least 90% of the District's Current staff. Insight also stated its intent to expand service lines and recruit more physicians.
- **Insight has committed to retaining and expanding service lines at Hazel Hawkins**
 - In the Term Sheet, Insight has made specific commitment to retain current service lines, including but not limited to Mother/Baby, Emergency Room, Outpatient Surgery, Imaging and other critical services currently being offered.
- **The District will retain the first right of refusal IF Insight decides to sell the hospital after the lease**
 - The term sheet clearly provides the District the opportunity to be the first buyer if Insight decides to leave the deal after the conclusion of its lease.
- **Insight has already committed to maintaining HHMH for at least 10 years**
 - In the term sheet, Insight has committed to maintaining the hospital and its service levels for at least 10 years.
- **After an extensive solicitation process, the District considered multiple proposals, and determined only Insight met the board's criteria**
 - The Board considered multiple proposals, including a JPA proposed by the County, and found that only Insight provided significant financial backing to achieve the District's long-term goals. Insight has a long track record of hospital turnarounds and in its Term Sheet with the District, has committed to retain service levels and grow service lines in San Benito County. If Insight fails to meet their obligations, HHMH has the right to terminate its relationship with Insight during the lease period.
- **The Term Sheet provides for local oversight**
 - The Term Sheet provides that the definitive agreements will include operating covenants that the District's board of directors, composed of local, elected officials, can enforce. Further, Insight has agreed that the nonprofit buyer will maintain a board where most of the members are individuals independent of Insight's organization.

- **HMMH's nurse retention rate is on par with the national average**
 - According to the national statistics, nurse turnover in the US is between 18-22%, higher in rural communities. HMMH turnover is in line with these national statistics.
- **Expansion of services requires extensive additional capital**
 - HMMH leadership has significantly improved the cash position of the hospital, but needs additional capital to grow and expand services, update or replace aging equipment, and address earthquake retrofitting.
- **The Insight option provides capital to repay outstanding liabilities including pension and bond liabilities.**
 - The other options did not provide the District sufficient capital resources to help with pension and bond liabilities.
- **HMMH will pay Insight a management fee for supportive services – these fees will be paid at fair market value**
 - As with any management contract, HMMH will pay Insight Corporation management fees for assistance with billing and cash management, medical staff oversight and other operational services as needed. The fees will be in line with the fair market value of such services.