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The emergency entrance of Mission Hospital in June 2017. ANGELI WRIGHT/CITIZEN TIMES

\$1.5B price tag for Mission? Magic ambulances?



Answer Man
John Boyle
Asheville Citizen Times
USA TODAY NETWORK

Today's batch of burning questions, my smart-aleck answers and the real deal:

Question: Regarding the sale of Mission Health to HCA, how was the price of \$1.5 billion arrived at? Is it the value of all the properties, plus some additional value of the "business operations?" Can you offer an explanation that's not crazy technical?

My answer: Hey, "Not Crazy Technical" is my middle name. Or names. It's always been awkward, like that kid named Abcde...

Real answer: First, a little background: Mission Health announced in September it had agreed to a deal with HCA Healthcare, a for-profit company based in Nashville, Tennessee. The agreement calls for HCA to buy nonprofit Mission for \$1.5 billion, with various provisions requiring HCA to keep certain facilities and provide specific services.

The deal is contingent on the approval of North Carolina Attorney General Josh Stein, who has said he wants to look more closely at the proposed \$1.5 billion sale price, and whether the board of the foundation that would manage and make grants from the sale is truly representative of Western North Carolina.

The plan is for that foundation, the Dogwood Health Trust, to use investment income from the sale, plus any remaining cash and investments owned by Mission after the health system's debts are satisfied, to fund programs intended to improve the health of Western North Carolina residents.

So, I sent the question over to Mission. Rowena Buffett Timms, senior vice president for government and community relations, answered via email.

"The purchase price is ultimately determined by what one or more sophisticated

buyers is willing to pay," Timms said.

From an analytical standpoint, she said, several approaches can determine value, "the most common being what is called a discounted cash flow analysis."

"DCF is a valuation method that analyzes future cash flow projections and then discounts them back to the present using an expected annual rate of return," Timms said. "Another method commonly used by third-party firms is to compare one transaction with others of similar size, scope, market characteristics and other factors over a reasonable period of time to determine a fair market value range."

I'm not going to lie — I have no idea what she's talking about, but I also have a tremendous fear of looking unsophisticated.

Timms also noted that Mission has been counseled "by extremely well-qualified financial advisers with extensive experience in negotiating transactions of this type and knowledge of the prices paid in similar transactions."

"Mission Health received a fairness opinion from a nationally recognized investment bank, Cain Brothers, a division of Key-Banc Capital Markets," Timms said. "Their fairness opinion is posted on our dedicated website MissionHealthForward.org (along with all other transaction-related documents). Mission's Board was advised by and received this fairness opinion to confirm that HCA was paying a fair price before they approved the final definitive agreements."

Question: Like lots of locals, I regularly drive north toward downtown on Hendersonville Road/Biltmore Avenue. You come to that key fork in the road: stay straight on Biltmore and save a few minutes — unless

you are caught by the train coming through. So most of us, having learned that lesson, bear left onto McDowell. But over the months I have noticed that always, without fail, the ambulances headed that same way — toward Mission Hospital — continue on Biltmore, and never, ever, get caught by the train coming through. So what gives? What do the ambulance drivers know that the rest of us don't? It cannot be so simple as the train schedule. What train ever runs on time?

My answer: Personally, I have a knack for only catching the trains carrying pulp wood to Canton. By some unknown rule of the universe, these trains must have, on average, 2,800 cars each.

Real answer: I was really hoping for some high-tech hoodoo here, or at least some good radio notifications, but Buncombe County EMS Director Jerry VeHaun quickly shot that down.

"This is privileged information, but I will share it with you, anyway," he said via email. "If you will note, when you come down the hill past I-40, when you come around the curve, you can see up Biltmore Avenue, and this tells the drivers whether the 'coast is clear' or not."

But wait! There's more to the secret!

"They also have another safeguard in place," VeHaun said. "If they pass the fork in the road and the lights begin to flash, they can turn left toward the entrance to the Biltmore House, and then right onto McDowell Street. A very scientific approach to a difficult situation."

This is the opinion of John Boyle. Contact him at 828-232-5847 or jboyle@citizentimes.com

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