



September 9, 2014

Jonny F. Hipp, ScD, FACHE
Administrator/Chief Executive Officer
Nueces County Hospital District
555 North Carancahua Street, Suite 950
Corpus Christi, TX 78401-0835

Re: Material Alteration Notice for CHRISTUS Spohn Hospital Corpus Christi-Memorial

Dear Mr. Hipp:

With this letter, CHRISTUS Spohn Health System Corporation (“Spohn”) (i) provides the Nueces County Hospital District (“NCHD”) with notice of its intent to undertake a material alteration (“Notice”) of the hospital facility known as CHRISTUS Spohn Hospital Corpus Christi-Memorial located at 2606 Hospital Boulevard, Corpus Christi, Texas 78405, and more particularly described in Exhibit A attached hereto (“Memorial”), and (ii) requests NCHD’s written consent to the Notice. This Notice is provided to NCHD in accordance with the provisions set forth in Section 3.8.6 of Schedule I to the CHRISTUS Spohn Health System Corporation Membership Agreement effective October 1, 2012 (the “Membership Agreement”). Following is an explanation of the material alteration that Spohn proposes.

A. Introduction

Over the past two years, Spohn has worked with several consultants and advisors to develop a Master Facility Plan to improve its overall delivery of health care services in Nueces County and surrounding areas of the Coastal Bend region. As part of the Master Facility Plan, Spohn seeks to improve its utilization of the physical infrastructure to meet the evolving health care needs of all patients. Recently, CHRISTUS Health approved a transformative project to invest \$325 million in infrastructure projects in Corpus Christi (\$275 million in contributions from CHRISTUS Health and \$50 million in philanthropic support). Spohn is actively preparing its capital campaign to support the Master Facility Plan investment. A key component of this plan is to optimize the options for delivery of care consistent with the community needs.

About a year ago, Spohn made a presentation to NCHD, outlining its intent to facilitate its ability to deliver healthcare services in the changing healthcare environment. Since that time, NCHD has consistently expressed its firm conviction that services currently available to Nueces Aid Beneficiaries through Spohn must remain intact. NCHD and Spohn have engaged in ongoing discussions to ensure that CHRISTUS Health’s and Spohn’s significant investment in the community will maintain and improve residents in Nueces County’s and, in particular, Nueces Aid Beneficiaries’ access to healthcare services. Spohn has reaffirmed its commitments to the residents of Nueces County and, in particular Nueces Aid Beneficiaries in writing and publicly, including at six community meetings over the past several months, and is working with NCHD

to memorialize those commitments in a letter of intent and other written, legal documents with NCHD.

B. Proposed Alteration of Memorial Campus

Spohn proposes to construct a 40,000 building gross square foot outpatient clinic to be known as the Dr. Hector P. Garcia–Memorial Family Health Center, and then, following the District’s Board of Manager’s authorization to close the Memorial hospital facility and Texas Health & Safety Code §§ 285.051 and 285.052, to demolish the Memorial hospital facility on the existing Memorial campus. As a hospital outpatient department of Spohn, the Dr. Hector P. Garcia – Memorial Family Health Center will provide the following services:

- Faculty and residency clinic focused on primary care services (family medicine);
- Extended hours to include operating 24 hours on Thursday, Friday and Saturday for non-scheduled visits. Spohn will evaluate and, as appropriate, modify such hours of operation based on community need and patient utilization, including potentially operating 24 hours in the Health Center on Sunday, Monday, Tuesday, and Wednesday;;
- Specialty clinics, including: urology, cardiology, neurology, endocrinology, orthopedics, and post-trauma;
- Clinic outpatient pharmacy services and medication counseling education;
- X-ray and laboratory services;
- Social services;
- Community health/transition care counseling to assist patients and families in navigating needed healthcare services;
- Behavioral health counseling;
- Wellness and prevention education for both patient and families including help with appropriate diet and lifestyle;
- Management of ongoing diseases such as diabetes, heart conditions, and high blood pressure;
- NCHD enrollment counselors; and,
- Support of spiritual needs through availability of onsite chapel.

In the most recent Community Needs Assessment, Spohn found that access to primary care and affordable options for continuing care ranked among the highest needs in Nueces County. By expanding and improving the care delivery model for services at the Dr. Hector P. Garcia – Memorial Family Health Center, Spohn can address these community needs in the most appropriate setting and level of care, with the goal of reducing over-utilization of its emergency departments.

C. Additional Components of Spohn’s Master Facility Plan

In the feasibility analysis, Spohn found that the best location for improvements of an existing hospital facility is the Spohn Shoreline facility. As part of the Master Facility Plan, Spohn will relocate the inpatient beds and trauma services from Memorial to Shoreline, to ensure the continuing availability of such care. Not only will this include obtaining a Trauma Level II

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designation for Shoreline but also an expansion of Shoreline's emergency department, treatment rooms, and inpatient services through addition of a new patient bed tower. In addition, Spohn is committed to ensuring the continuation of medical residency programs, its provision of inpatient and outpatient behavioral health care, and its provision of care to residents in Nueces County and, in particular Nueces Aid Beneficiaries, and will take necessary steps to maintain those commitments when implementing the Master Facility Plan.

D. Conclusion

As reflected above, Spohn has undertaken a thorough analysis of the viability of maintaining Memorial as a hospital facility. Based on the comprehensive third party analyses, the most viable option is to construct the Dr. Hector P. Garcia – Memorial Family Health Center, relocate the inpatient beds and trauma services from Memorial to Shoreline and further expand the Shoreline facility, and then, following the District's Board of Manager's authorization to close the Memorial hospital facility and Texas Health & Safety Code §§ 285.051 and 285.052, to demolish the Memorial hospital facility. All costs of the construction of the Dr. Hector P. Garcia – Memorial Family Health Center, relocation of the inpatient beds and trauma services from Memorial to Shoreline, expansion of the Shoreline facility, demolition of the Memorial hospital facility, and maintenance of the Memorial campus site will be borne by Spohn as contemplated in Section 3.8.6 of Schedule I of the Membership Agreement.

Operationally, Spohn would like to initiate its investment in the community as soon as possible. Spohn requests your cooperation in working through and resolving any issues related to the above-described material alteration in a timely manner.

Please let us know if you have any questions about the alteration and Notice. We look forward to working with NCHD to obtain written consent to the Notice.

Sincerely,



Pamela S. Robertson
Chief Executive Officer

Enclosures

EXHIBIT A

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DESCRIPTION OF REAL PROPERTY

Memorial Medical Center Hospital.

1. Main Campus. Located at 2606 Hospital Boulevard, Corpus Christi, Texas.

Block Three (3), Medical Center Subdivision, a Subdivision of Corpus Christi, Nueces County, Texas, as shown by map or plat thereof, recorded in Volume 53, Pages 144-145, Map Records, Nueces County, Texas, being a replat of 18.447 acres out of Share 9 of the Tyre Mussett 400-acre tract out of Enrique Villarreal Abstract No. 1, and being the same property conveyed to the Nueces County Hospital District d/b/a Memorial Medical Center from the City of Corpus Christi, Texas, and Nueces County by Deed dated June 19, 1968, recorded under Clerk's File No. 767628, Volume 1282, Page 309, Deed Records of Nueces County, Texas and being the property conveyed to the City of Corpus Christi, and Nueces County by Deed dated April 10, 1942 by the Baptist Foundation of Texas, recorded under Clerk's File No. 187008, Volume 291, Page 193, Deed Records of Nueces County, Texas.

2. Adjoining Lots Part of Main Campus. Located on Buford Avenue, Corpus Christi, Texas.

Lot A, Lots One (1), Two (2), Three (3), Four (4) and Five (5), West ½ of Lot Six (6), and Lots Seven (7), Eight (8), Nine (9), Ten (10), Eleven (11) and Twelve (12), in an unnumbered block lying south of Buford Avenue, sometimes referred to as Block Seven (7), Tierra Alta Addition, an addition to the City of Corpus Christi, Texas, as shown by map thereof recorded in Volume 4, page 11, Map Records, Nueces County, Texas; and Lot Six-B (6-B), Block Seven (7), Tierra Alta Addition, as recorded in Volume 29, page 86, Nueces County Map Records, being a replat of East one-half of Lot Six (6), Block Seven (7), as recorded in Volume 4, page 11, Map Records, Nueces County, Texas.

3. Parking Lots Near Hospital.

Lots One (1), Two (2), Three (3), Four (4) and Five (5), and Lots Twenty-Six (26), Twenty-Seven (27) and Twenty-Eight (28), Block Four (4), Tierra Alta Addition to the City of Corpus Christi, Texas, shown by map thereof recorded in Volume 4, page 11, Map Records, Nueces County, Texas.