

*NATIONAL PAY FOR PERFORMANCE SUMMIT*

# PARTICIPATING BOND TRANSACTIONS

presented by

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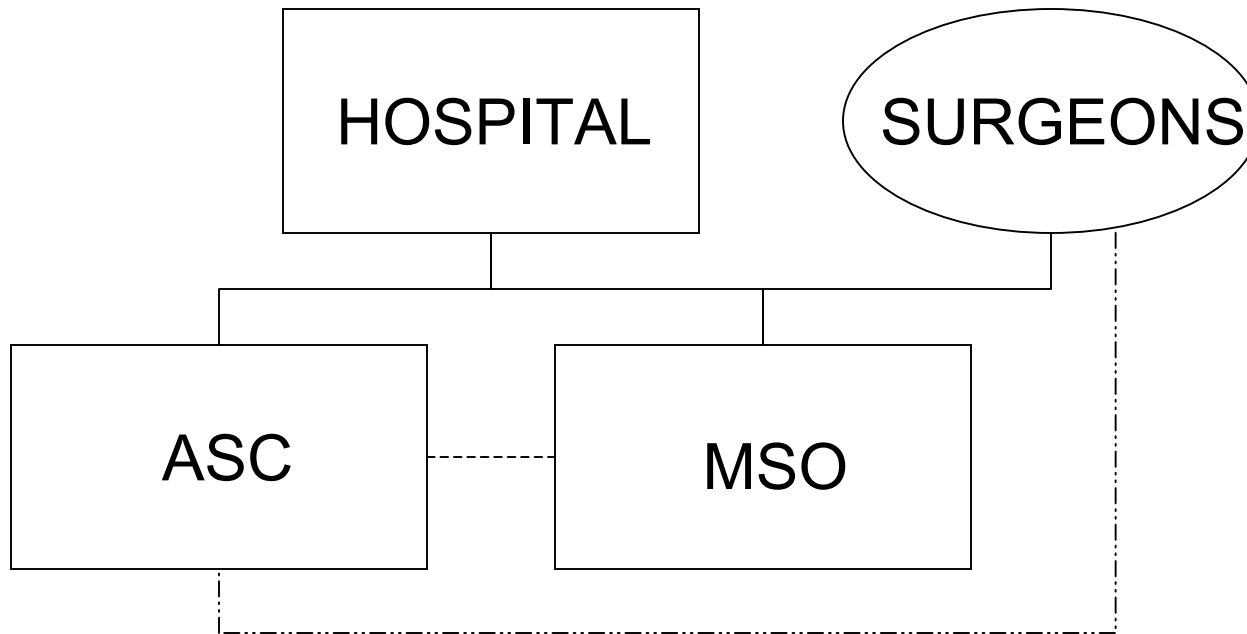
# OVERVIEW

- A. PARTICIPATING BONDS
- B. BENEFITS

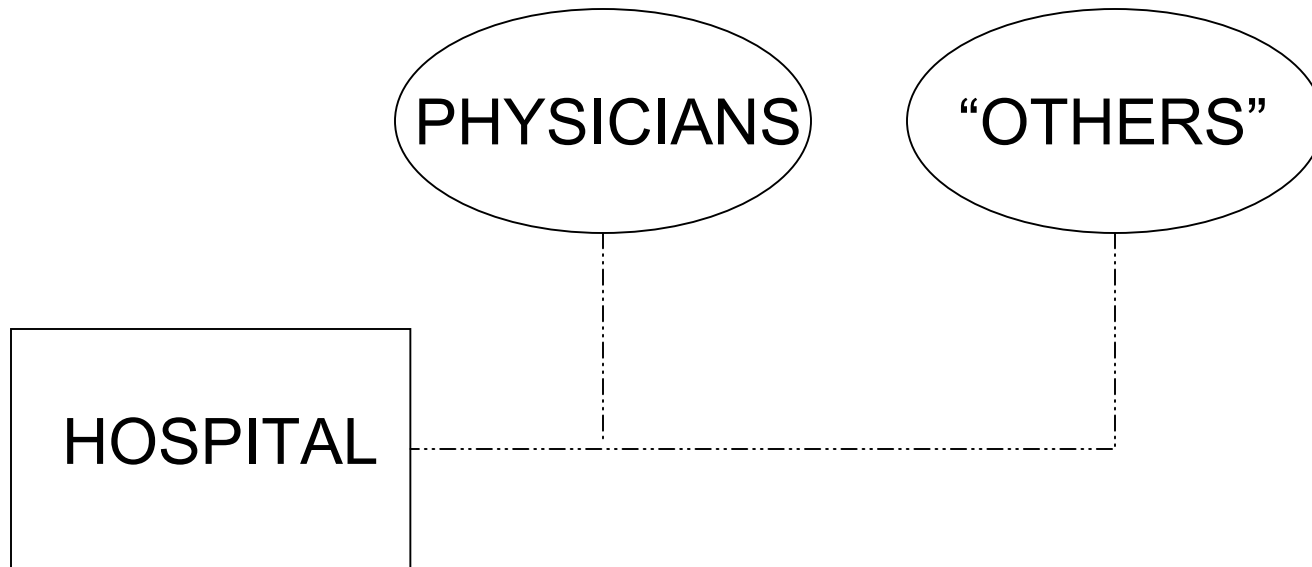
# A. PARTICIPATING BONDS

1. DESCRIPTION
2. KEY FEATURES
3. PERFORMANCE TARGETS
3. ACCEPTABILITY

# 1. DESCRIPTION



# 1. DESCRIPTION



## 2. KEY FEATURES

- a. HIGH RATES
- b. “PARTICIPATING”
- c. FIXED YIELD

## 2. KEY FEATURES (CONT'D)

d. TERM

e. SECURITY

f. CALL

g. COVENANT

# 3. PERFORMANCE TARGETS

- a. FINANCIAL TARGETS
- b. QUALITY AND PATIENT SATISFACTION
- c. OTHER
- d. MODIFICATION



# EXAMPLE

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Margin	3.1%	3.6%	2.7%	3.3%	3.2%
% Earned	11%	11%	11%	11%	11%
% Paid	11%	11%	0%	23.2%	11%
Pre-Tax	18.3%	18.3%	0%	38.7%	18.3%

# 4. ACCEPTABILITY

- a. 20 YEARS OF USE
- b. IRS
- c. OIG
- d. BOND AUTHORITIES
- e. BOND COUNSEL

# B. BENEFITS

1. HIGH RETURNS
2. LOW RISKS
3. PRACTICAL BENEFITS
4. LOW COSTS AND TAXES

# 1. HIGH RETURNS

- a. 10-12%
- b. 20 YEAR TERM
- c. RETIREMENT

## 2. LOW RISKS

- a. BUSINESS RISKS
- b. POLITICAL RISKS
- c. REGULATORY RISKS

# a. LOW BUSINESS RISKS

1. COLLABORATION VS. COMPETITION
2. FIXED YIELD
3. ACCRUAL FEATURE
4. CALL FEATURE

## b. LOW POLITICAL RISK

1. REGULATORY CHANGE
2. CHARITABLE OWNERSHIP
3. ALL PHYSICIANS CAN BENEFIT
4. COMMUNITY BENEFIT

## c. LOW REGULATORY RISKS

1. INTERNAL REVENUE CODE
2. STARK LAW
3. ANTI-KICKBACK STATUTE
4. SAFE HARBOR COMPLIANCE



# 3. PRACTICAL BENEFITS

- a. NO DILUTION
- b. BROAD BASE
- c. NEW INVESTORS
- d. CAPITAL ACCESS
- e. ALIGNMENT

# 4. LOW COSTS / TAXES

FINANCING COSTS	\$2,135,000
SERVICES AND SUPPLIES	600,000
PROPERTY TAXES (2.7%)	1,423,201
SALES TAXES (8.25% x 49%)	1,111,687
INCOME TAXES	<u>1,822,525</u>
TOTAL	\$7,092,413

**QUESTIONS?**