



MECKLENBURG COUNTY
Office of the County Manager

May 10, 2011

Mr. Michael Tarwater
Chief Executive Officer
Carolinas Healthcare System
P.O. Box 32861
Charlotte, NC 28232-2861

Dear Mike:

Although you and I talked by phone earlier this morning I feel it is necessary to respond to your May 9th letter to members of my Board. I am frankly surprised by your letter. As I told you when we discussed your letter of April 4, the projected savings that you offer are prospective and may not ultimately come to fruition. In addition, you have requested that the County escalate the payments to you based on the Medical CPI which is controversial in its construct and at least twice as high as the (CPI.) As you well know, the County is in the middle of an intricate budget cycle, and we are unable to discuss budgetary impacts beyond FY 2012. You wrote that you were somewhat surprised that I hadn't shared with my Board the budget proposal you conveyed in an April 4, 2011 letter (marked confidential by you) and I have to say that I am surprised you are raising that as an issue. You wrote, "I have not run this by the leadership of our Board, but would need to do that soon if it is the route the County wants to take." I acted in what I thought was respect for you and our relationship and the fact that you sent this "confidentially". Obviously your intentions are not what I had thought. However, I am pleased that you have initiated renegotiation of the current contract and money paid to CHS by the County. I have tried my best to explain to you that the County is interested in economies to be realized in expenses, including reduction in the \$60 million amount currently paid to CHS.

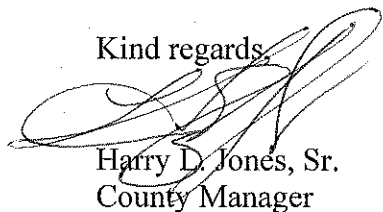
As I already indicated to you on a number of occasions, my staff and I continue to be confused by the erratic reporting of data regarding our relationship and especially the calculation of deficits you desire the County to pay for. In any business transaction, the buyer would expect to receive from the seller detailed information as to the product being purchased. Essentially, Mecklenburg County acts as an insurer for CHS. Any insurer would expect the care provider (CHS) to provide important, necessary information to determine appropriate cost and payment. In this case the County has not been able to obtain regular and reasonable data regarding what it is paying CHS for.

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Mike, I am frustrated by what appears to be a threatening attitude regarding your desire to construct a new psychiatric hospital. As I have repeatedly told you, the LME is ready to evaluate your proposal if it can receive from CHS the appropriate data. We have asked for basic metrics to confirm what you describe as a need and how the construction of the hospital and would impact CMC-Randolph. I will not be in a position to support your request until this evaluation is complete.

Kind regards,

A handwritten signature in black ink, appearing to read "H. Jones", is written over the typed name and title.

Harry D. Jones, Sr.
County Manager

Cc: Board of Commissioners