

**MARIANAS PUBLIC LAND TRUST  
MPLT RESOLUTION 12-1-A**

**A Resolution Authorizing an Investment in the form of a Loan  
to the Commonwealth Healthcare Corporation (CHC) in the  
amount of \$4.58 Million Dollars for Bridge Financing for Its  
Operations and Capital Expenditures and to Enable it to Fully  
Implement the Resource and Patient Management System  
(RPMS) Electronic Health Record (EHR) System of the Indian  
Health Service**

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**RECITALS**

**WHEREAS**, pursuant to Public Law 16-51 the Commonwealth Healthcare Corporation (CHC) was established making CHC an autonomous public corporation fully independent from the CNMI central government, governed by an advisory board and headed by a Chief Executive Officer (CEO) who has the authority to borrow and incur debt for CHC; and

**WHEREAS**, since its complete and formal establishment on October 1, 2011 CHC has proceeded forward with an appropriation of only \$5 million dollars in operational funds from the central CNMI Government which, according to CHC's CEO, is insufficient to meet its operational costs; and

**WHEREAS**, CHC through its CEO has found significant collection concerns as to its accounts receivables and sufficiency of funding for operational needs. CHC is taking steps to improve the system and make changes such as increasing coding for billing, and improving collection procedures, as well as developing a management plan. To meet its objectives toward fiscal stabilization, CHC requires immediate financial assistance; and

**WHEREAS**, on December 22, 2011 the CHC CEO submitted a formal request for investment to the Marianas Public Land Trust in order to obtain bridge capital financing and for operational needs towards fiscal stabilization; and

**WHEREAS**, CHC has also submitted a separate request for funding for an Electronic Health Record system to be established within CHC and private clinics and pharmacies for an integrated health information management system; and

**WHEREAS**, the CNMI Legislature has introduced House Bill 17-278 which pledges and appropriates the net interest income MPLT would remit to the General Fund, if any, at the end of each fiscal year starting Fiscal Year 2014 and beyond, to be used to secure the investment by MPLT in the amount of \$11.58 million dollars and to further



agree and consent that MPLT may withhold interest income for required fiscal years for such debt service as to principal and interest for its investment with CHC; and

**WHEREAS**, House Bill 17-278 has not progressed to the point of enactment into law on an expedited basis due to the critical situation at CHC, prompting Governor Fitial to issue Executive Order 2012-02 which directs and authorizes CHC to enter into a loan agreement with MPLT; and

**WHEREAS**, CHC desires to proceed with the loan agreement directly with MPLT without the pledging security at this time due to the exigent circumstances requiring an immediate infusion of capital to address payroll shortages and vendor payments among other critical financial issues; and

**WHEREAS**, the MPLT Trustees have reviewed the submission of preliminary financial records and information by CHC through Friday March 9, 2012 and have determined that the maximum amount permissible to invest in CHC for bridge capital is an amount not to exceed \$3,000,000 subject to additional financial review by MPLT for additional funds; and

**WHEREAS**, the Health Information Technology for Economic and Clinical Health (HITECH) provisions of the American Recovery and Reinvestment Act of 2009 (ARRA) seek to improve patient safety, patient care, public health reporting, surveillance, patient care for chronic disease, and efficiency in the health care system through the adoption of Electronic Health Record (EHR) Systems and a Nationwide Health Information Exchange (HIE); and

**WHEREAS**, the Centers for Medicare and Medicaid Services (CMS), in accordance with the HITECH provisions of ARRA, provide financial incentives for the Commonwealth Health Center (CHC), an acute care hospital, and other Eligible Providers (public and private clinicians, dentists, and other providers) to implement certified Electronic Health Record (EHR) systems to meet the requirements of the HITECH and "Meaningful Use" rules and regulations of the CMS; and

**WHEREAS**, the incentives are not grants and require health care providers (hospitals and eligible providers) to acquire and implement certified EHRs and meet specified performance Meaningful Use requirements to qualify for the Incentives; and

**WHEREAS**, the CHC has been using the Resource and Patient Management System (RPMS) of the Indian Health Service (IHS) for well over 16 years but is in need of funding to adopt, implement, and upgrade to a fully certified RPMS system and implement the clinical modules (e.g., laboratory, pharmacy, radiology and others) to meet Meaningful Use; and

**WHEREAS**, the CHC, and other health care providers, must expend monies to implement certified EHR systems and become Meaningful Users of the certified system; and



**WHEREAS**, the hospital qualifies for incentives in the amount of \$2 million in Year 1, \$1.5 million in Year 2, \$1 million in Year 3, and \$500,000 in Year 4, with a bonus of \$200 for every patient discharge between 1,150 and 23,000; and

**WHEREAS**, the eligible providers, including Medicare providers or Medicaid Providers with a patient population of 30% (20% for Pediatricians) are eligible for \$43,000 and \$63,000 in incentives; and

**WHEREAS**, to assist the public and private clinicians in the CNMI, the CHC applied for, and was awarded, a competitive grant of \$300,000 a year for 3 years by the Health Resources and Services Administration (HRSA) to extend the use of the CHC RPMS EHR by the Tinian and Rota Clinics and private health care providers in the CNMI; and

**WHEREAS**, the grant from the HRSA requires that the CNMI CHC upgrade the RPMS EHR and meet the meaningful use requirements; and

**WHEREAS**, CHC through its Chief Executive Officer has requested an investment in the form of a loan from the Marianas Public Land Trust in the amount of \$1,580,000 to implement the CHC EHR and believes that the CHC will be able to repay the loan by June 30, 2013; and

**WHEREAS**, the Telecommunications and Social Informatics Program of the University of Hawaii-Manoa has committed to assisting the DPH, CHC, and Eligible Providers to meet Stage 1 of Meaningful Use as a standard of quality health care; and

**WHEREAS**, the Medicaid Administrator of the Commonwealth of the Northern Mariana Islands has stated the intention of the CNMI to have approved a State Medical Health Information Technology (SMHP) Plan by March 30, 2012 which would enable health care providers to participate in the Medicaid EHR Incentive program; and

**WHEREAS**, the Trustees of the Marianas Public Land Trust fully recognize the benefits of an investment in CHC with the required adequate security for debt service pursuant to terms herein. The Trustees find it to be a prudent investment for the total sum of \$3 million dollars for CHC's operational and capital needs. Further, the Trustees recognize that the investment is also necessary to promote the initiative in the form of healthcare technology to meet federal mandates and requirements to obtain additional funding and to deliver quality health care in the amount of \$1.58 million. Further, the MPLT Investment Policy Statement recognizes the importance of local investments which provide maximum direct benefits to the community with reasonable rates of return and reasonable risks on such returns. The Trustees support an investment in CHC as a planned improvement of quality health care for the people of the CNMI.

**NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING RECITALS, THE MPLT TRUSTEES RESOLVE AS FOLLOWS:**

**BE IT RESOLVED**, that the Trustees of the Marianas Public Land Trust, in order to support the public purpose of improving health care in the CNMI do hereby authorize an investment in the Commonwealth Healthcare Corporation through its Chief Executive Officer Juan Nekai Babauta for its fiscal and operational needs for bridge capital and to improve health care through Health Information Technology.

**BE IT FURTHER RESOLVED**, that the Trustees do hereby authorize the following investments: 1) an investment in the form of a loan in the amount of One Million Five-Hundred Eighty Thousand Dollars (\$1,580,000) for an electronic health care initiative; and 2) an investment in the form of a line of credit in the amount of Three Million Dollars (\$3,000,000) for bridge capital and operational financing for the benefit of the Commonwealth Healthcare Corporation, subject to the following terms and conditions:

- 1) **HEALTH INFORMATION TECHNOLOGY/  
ELECTRONIC HEALTH RECORDS:**
  - (a) The loan of \$1.58 million dollars shall accrue interest at a rate of 7% rate per annum, to be drawn upon as needed with at least seven (7) days' notice to MPLT for each drawdown of funds. CHC may draw funds following the execution of a loan agreement with MPLT and other required agreements. Interest shall accrue only on the amount drawn down by CHC at the agreed-upon interest rate. CHC shall pay the accrued interest at maturity date with principal. The loan matures within eighteen (18) months of execution of a loan agreement. CHC shall pay the full loan amount of \$1.58 million dollars inclusive of accrued interest within eighteen (18) months.
  - (b) Any Incentive Payments received by CHC shall be used to repay the loan to MPLT, with the balance to be placed into a budget reserve specifically for CHC to meet Stage 2 and 3 of Meaningful Use and for other Health Information Technology program or project, including, but not limited to Health Information Exchange, Telehealth, and Telemedicine; and
  - (c) The Chief Executive Officer for CHC shall enter into the agreement with MPLT for the loan; and
  - (d) CHC is authorized to acknowledge the support of MPLT in furtherance of the CNMI Health Information Technology Initiative.



2) CHC OPERATIONAL AND BRIDGE CAPITAL LINE OF CREDIT:

- a. MPLT hereby authorizes and establishes a Line of Credit account for CHC in the amount of Three Million Dollars (\$3,000,000) with interest at the rate of 7% per annum. The Line of Credit shall be for a period of one year from March 12, 2012 and MPLT may, at its discretion, extend such a Line of Credit beyond that date. Further, upon the full satisfaction of the above EHR project loan of \$1.58 million dollars, this amount shall be added to the available funds for the foregoing line of credit at the same rate of interest. The total line of credit facility authorized shall not exceed \$4.58 million. However, the Line of Credit shall not exceed five (5) years or March 12, 2017. Interest shall accrue only on the sums drawn down by CHC which shall be paid starting the first month after the initial draw. CHC shall pay monthly on the interest accrued to be billed by MPLT on the first day of each month and payable within ten (10) days. The entire principal drawn (and any interest accrued) shall be paid in full within twelve (12) months from drawdown. Should CHC fail to pay the sums due for any drawdown within the foregoing period, MPLT may suspend future drawdowns or MPLT may declare CHC to be in default, at its discretion.
- b. CHC shall execute a Consolidated Loan Agreement on terms and conditions required by MPLT signed by the CHC Chief Executive Officer supported by a Corporate Resolution approved by its Advisory Board;
- c. Pursuant Public Law Section 16-51, the CHC Chief Executive Officer shall hire a Chief Financial Officer, within 120 days of execution of the Financing Agreement, who meets the requirements of the law for that position.
- d. CHC shall execute a Promissory Note through its Chief Executive Officer for the amount of the line of credit;
- e. CHC shall execute a Mortgage Agreement in favor of MPLT on CHC's real properties including Lots 098 D 4 and 098 D 05 as well as Lot 070 D 01, and all assets, and physical facilities.
- f. CHC shall execute an Assignment of Income assigning all income from all sources including but not limited to accounts receivables; Medicare and Medicaid payments; and all general income sources for the period that the Line of Credit is in effect as security for MPLT's investment;
- g. CHC shall agree to provide to MPLT Financial Reports and a Business Plan set forth herein. MPLT hereby requires CHC to provide, as a material condition of this investment and resolution, the following information and meet required performance and reporting benchmarks. It is MPLT's expressed intent, and CHC hereby agrees,

that should CHC fail to meet and comply with all requirements of the performance/reporting benchmarks, such failure shall constitute a default and material breach of the conditions of the investment in addition to any other condition(s) imposed by MPLT.

Within ninety (90) days of execution of a Consolidated Loan Agreement by CHC, its CEO shall deliver a formal business plan<sup>1</sup> which shall include the following:

1. An executive summary with an overview of the current fiscal, operational, administrative and personnel situation within CHC; the existing challenges to its fiscal and operational stability and developmental plans to provide solutions for such challenges including, but not limited to, a listing of working capital deficit; the adequacy of its fiscal management system; transitional/operational concerns relating to the transfer from the central government; and the lack of formal policies and procedures.
2. CHC's plans to enlist consulting or other professional services for technical assistance and in what areas. CHC shall provide copies of any such contracts or agreements with such entities to MPLT. CHC shall list or inform MPLT as to the deliverables as to such agreements and deadlines for meeting such deliverables.
3. CHC shall issue an Initial Fiscal Report specifically directed to MPLT which informs MPLT on the following areas: a) the process for the direct drawdown to CHC of federal grants to include Medicare and Medicaid programs; b) the process for the separation from the Central Government as to services; c) the formalization of Organizational & Operating Plans; d) the processing and payment of payroll (transition from DOF to CHC); e) the processing of purchase orders, independent contracts, etc. and the accounting thereof (transition from DOF to CHC); f) a listing of fixed assets received for its start-up and the initial valuations; and g) an identification of other significant policy issues.

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<sup>1</sup> For clarity, MPLT is not requiring that CHC have the following requirements in place and completed within ninety (90) days. MPLT only requires that this information shall be filed within that time period. However, MPLT does expect CHC to set forth a schedule or timeline within which it shall implement and complete these goals or objectives and identify the persons or department responsible for its completion or implementation.




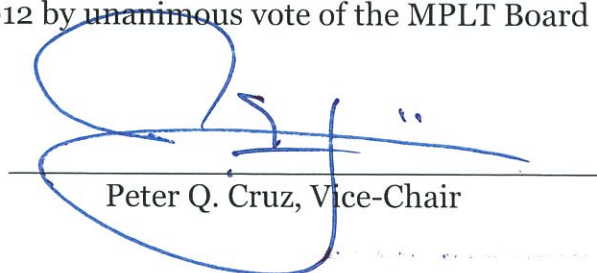
4. CHC shall submit its projection of statements of income and cash flow for two years. Further, CHC shall submit a current balance sheet for the new CHC as of its beginning as well projected balance sheets at the end of years one and two.
5. CHC shall prepare and file a statement of principal assumptions used in preparing the above projections which, in its view or opinion, are reasonable and attainable.
6. In reference to the foregoing scope of work for any technical assistance, MPLT specifically requires CHC to keep MPLT informed on process and transition for the formulation and implementation of a sound and reliable integrated financial management system which shall include billing and collections, purchasing, payroll, fixed asset accounting, receivables, and payables.


**BE IT FURTHER RESOLVED**, that MPLT hereby reserves the right to consider and may authorize, at its discretion, an additional contingent line of credit in favor of CHC and which CHC may access, for a period through March 12, 2017, subject to additional terms and conditions, which shall be in addition to the above recited conditions.

**THEREFORE, IT IS RESOLVED** that the Trustees of the Marianas Public approve this investment Resolution 12-1-A on such terms and conditions and subject to execution of the operative transactional agreements between MPLT and CHC.

SO ADOPTED this 12<sup>th</sup> day of March, 2012 by unanimous vote of the MPLT Board of Trustees on Saipan, CNMI.

  
Pedro R. Deleon Guerrero, Chairman

  
Peter Q. Cruz, Vice-Chair

  
Melchor J. Mendiola, Treasurer

[VIA TELEPHONIC APPEARANCE:  
APPROVED: 3/12/12]  
Gregoria Fitial-Omar, Trustee

[VACANT], Trustee [VICE: ALVARO SANTOS]