

**AMENDMENT TO
MEMORANDUM OF UNDERSTANDING
BETWEEN
PRINCE GEORGE'S COUNTY, MARYLAND
AND
STATE OF MARYLAND**

In order to more fully and accurately reflect the agreement of the parties, this Amendment to the Memorandum of Understanding dated February 20, 2004 is hereby adopted and ratified this 19th day of April, 2004, by Prince George's County, Maryland, a body corporate and politic (hereinafter the "County") and the State of Maryland (hereinafter the "State").

A. The parties agree that Paragraph I (1) entitled "Oversight Committee Formation and Responsibilities" of the Memorandum of Understanding shall be and hereby is amended and replaced with the following language:

I. Oversight Committee Formation and Responsibilities

1. The County and State shall establish a seven voting member Oversight Committee which shall provide ongoing advice and consultation regarding the development and implementation of the Financial Action Plan and the Recovery-Restructuring Plan. Four members will be appointed by the County Executive, one of whom shall be selected by the County Council. Three members will be appointed by the State of Maryland. The Governor shall appoint the Chairperson for the Oversight Committee. The HSCRC Chairman shall serve as an ex officio non-voting member of the Oversight Committee.

B, The parties further agree that Paragraph V (9) and (10) of the Memorandum of Understanding shall be and hereby are amended and replaced with the following language:

V. Implementation of Management Consultant and Oversight Committee Activities

9. The County and State shall review the Plan and consider means of enhancing the overall financial and operational performance of the health care system. The County and State, in consultation with the Oversight Committee, and others as needed, shall direct the redaction of any confidential or propriety information before the preparation and release of the Final Recovery/Restructuring Plan. The County Council shall be provided with all documents, plans, and reports from the Oversight Panel and management consultant without redaction.

10. The County and State shall issue the publicly available Final Recovery/Restructuring Plan and report to Dimensions and members of the Hospital Advisory Committee of the Prince George's Delegation by December 1, 2004. As part of this report, the parties will also address the extent to which the Oversight Committee and/or the management consultant might continue to participate in the Recovery/Restructuring Plan.

B. The State and County reaffirm and adopt all remaining provisions of the Memorandum of Understanding without change.

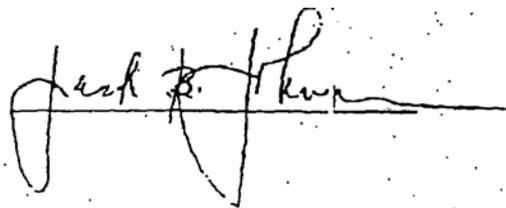
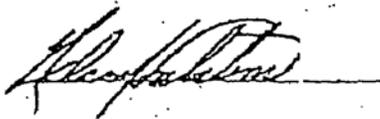
STATE OF MARYLAND •

PRINCE GEORGE'S COUNTY, MARYLAND

Robert L. Ehrlich, Jr.
Governor

Jack B. Johnson
County Executive

• By: Nelson J. Sabatini
Secretary of Health



Clarification of the Memorandum of Understanding
Between
Prince George's County, Maryland
And the State of Maryland
Regarding the Role of Management Consultant

This clarifies the memorandum of understanding (MOU) dated February 20, 2004 and amended April 20, 2004 between the Prince George's County and the State of Maryland with regard to the role of the Management Consultant (MC). That MOU created the Dimensions Oversight Committee (OC) to direct activities addressing the long-standing financial and structural problems of the Dimensions Healthcare System (Dimensions) and its component facilities. In the MOU, the State and the County agreed that there was a need to "take immediate steps to support the economic stabilization of certain health care facilities operated by Dimensions." The MOU also agreed that the key mechanism for promoting this stabilization was the retention of an "independent hospital 'turn-around' or management consultant." The consultant's role being to provide the State, County, and the Oversight Committee with "appropriate short and long-term approaches to managing and financing the County's health care delivery system."

Since the MOU was signed, a consultant study for the Maryland Health and Higher Education Funding Authority (MHHEFA) has provided new information regarding the financial plight of Dimensions. The key findings of this consultant report were presented to the Oversight Committee on July 14, 2004 and can be summarized as follows: a number of Dimension's negative trends are converging and are quickly leading to a financial crisis of far greater proportion than Dimensions has faced in the past.

Given the serious financial situation at Dimensions, and in keeping with the MOU's direction to take "immediate steps," and in accordance with Section V (2) of the MOU which authorizes the OC to define the role and responsibilities of the MC, it is appropriate that the management consultant take immediate action to address the ongoing financial, structural and management problems facing Dimensions. The role of management consultant (or turnaround management team) should, therefore, be expanded to provide Dimensions with on-site

management directed at the myriad of operational problems facing Dimensions.. The Chairman of the Dimensions Board, who also attended the July 14, 2004 MHHEFA briefing, concurs with the Oversight Committee as to the need for a management team to take immediate corrective actions, rather than deferring action until another long-term strategic plan is prepared. It is, therefore, agreed by the parties that in assessing potential management consultants, the Oversight Committee should give primary consideration to those firms and individuals with a demonstrable record of direct management leading to improvement in the performance of financially distressed hospitals.

As we have discussed throughout this process, the facilities that make up Dimensions provide vital services to the residents of Prince George's County. Both the State and County remain committed to making all reasonable efforts to assure the long-term viability of those facilities.

Sincerely,

Nelson J. Sabatini*
Secretary
Department of Health and Mental Hygiene

Jack B. Johnson*
Prince George's County Executive

Date August 9, 2004

*Original signed copy on file