



November 8, 2007

The Honorable Pamela S. Stephenson
Chair
Fulton – DeKalb Hospital Authority
80 Jesse Hill Jr. Dr. SE
Atlanta, GA 30303-3050

Dear Madam Chair:

We are encouraged that the Grady Exploratory Committee and Ad Hoc Advisory Group appear to be making sound recommendations on the future governance of the Grady Health System. This is a welcome development, and you are to be commended for putting in place an effective mechanism for community involvement in the important task of transforming Grady Memorial Hospital.

For many years, Emory University and Morehouse School of Medicine have pursued our core missions of medical education, training, research and patient care as partners with Grady Memorial Hospital. We can all be proud of the superb record compiled by Grady with the support of faculty physicians and residents from Emory and Morehouse, leading to national recognition of Grady as one of this country's most important public health hospitals. As you undertake major transformation, we wish to support and encourage your efforts. We also want to assist in any way we can with a new governance structure and securing new sources of funding.

While your progress and momentum toward transformation shows promise, we remain cautious because of our own particular timing and budgetary concerns. The very public controversy surrounding Grady's uncertain future is currently compromising our ability to attract the quality and number of interns, residents, fellows and faculty to appropriately staff our clinical services and training programs at Grady. In particular, over the next few months both medical schools must interview and select the new residents we need to match in our training programs. Because of the uncertainty about the future of Grady (and indeed what services Grady may close), we have found that the national pool of candidates interested in joining our programs has eroded in ways that could undermine our ability to service Grady at the levels we have in the past. This issue emphasizes the urgency of definitive action within the next couple of weeks.

The Honorable Pamela S. Stephenson
November 8, 2007
Page Two

Moreover, ongoing operating losses and the huge unfunded liability for replacement and maintenance of equipment also threaten to compromise the standard of care that Grady can offer patients. This situation is beginning to have an impact on our ability to recruit and retain faculty. It also contributes to the difficulty in attracting residents, and has raised concerns about the quality of our medical students' education.

In addition to threatening our core mission, this situation also threatens the stability of the medical workforce in Georgia, which is highly dependent upon the size and success of our residency training programs at Grady. Statistics show that one-quarter of all physicians practicing in Georgia trained at Grady.

Action must be taken immediately by many parties – beginning with the leadership of the Fulton DeKalb Hospital Authority – to reorganize Grady's governance, management and funding models. It is our hope that these issues can be quickly addressed in a matter of weeks. Our understanding is that the Fulton DeKalb Hospital Authority could vote as early as November 26 on a new, 501(c)(3) governance structure. To be honest, given the timing concerns discussed above, we were hopeful that a decision regarding the governance would come before Thanksgiving. However, we are optimistic that an effective new 501(c)(3) will be approved and that it will enable the securing of new sources of funding to help propel the hospital forward, and to also help the Grady Health System meet its many outstanding obligations, including those to the medical schools that have so ably served Grady and its patients.

As you are aware, we have continued to provide an array of medical services in accordance with our contract and at great sacrifice during this difficult year under the promise of reimbursement. As of the end of October, the outstanding cost to our institutions is approximately \$63 million, and growing. Unfortunately, we have reached a point that we cannot afford for this situation to continue into another year. In order to provide a high level of services to Grady Memorial Hospital, it is important that the funding necessary to address the hospital's obligation to the medical schools and payment for medical services be secured.

While we realize the difficulties inherent in transforming an institution the size of Grady, it is essential to Emory and Morehouse that there be satisfactory resolution of the uncertainties facing us by the end of the calendar year. Even as the hospital authority continues its deliberations, Emory and Morehouse are compelled to explore alternative venues for our programs in the event those deliberations are unsuccessful. The process of reviewing alternatives is already under way, so that we might be in a position to begin redeployment as necessary in the new year.

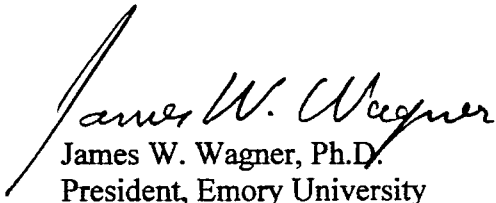
The Honorable Pamela S. Stephenson
November 8, 2007
Page Three

We remain cautiously optimistic that we will be able to preserve our historic and productive relationship that has benefited thousands of patients, the counties and the state as a whole. We acknowledge and appreciate your efforts to move decisively to adopt the governance and other changes required to transform Grady, even as we reluctantly make plans to move forward with alternatives in the event that this is not achieved. Once again, we encourage your continued leadership at this critical moment.

Sincerely,



John E. Maupin, Jr., D.D.S.
President, Morehouse School of Medicine



James W. Wagner, Ph.D.
President, Emory University

Cc: The Honorable Sonny Perdue, Governor, State of Georgia
The Honorable Casey Cagle, Lieutenant-Governor, State of Georgia
The Honorable Glenn Richardson, Speaker, Georgia House of Representatives
Members, Fulton-DeKalb Hospital Authority
Members, DeKalb County Commission
Members, Fulton County Commission
The Honorable Vernon Jones, CEO, DeKalb County
Mr. Otis L. Story, President and CEO, Grady Health System
Mr. Timothy Jefferson, Senior VP for Legal Affairs, Grady Health System
Mr. Michael D. Ayres, Chief Financial Officer, Grady Health System