

As the only hospital-based, accredited fixed-wing air ambulance service based in the Carolinas, MedCenter Air's elite team serves a vital role in transporting critically ill and injured patients and operates 24 hours per day, 7 days per week and 365 days per year. Not only do patients of Carolinas HealthCare System benefit from this service, but so do the patients of more than 50 other organizations who contract with [MedCenter Air](#) for air ambulance charter services.

## **Newspaper's Questions and Carolinas HealthCare System's Answers**

We understand that the system owns two Beechcraft King Air 200 turboprop planes; two Cessna Citation 560 series jets; a Beechcraft Baron G58 and three helicopters. Does the system own any additional aircraft?

The number and types of aircraft cited above are correct. MedCenter Air aircraft include one 1994 Cessna Citation 560, one 1996 Cessna Citation 560, one 1998 Beechcraft King Air 200 turboprop, one 1986 Beechcraft King Air 200 turboprop, one 2007 Beechcraft Baron G58 and three 2009 EC-135 helicopters. There are no additional aircraft.

We gather the planes are often used for transporting patients and organs that are used in transplant operations. We also understand the planes are periodically used for transporting the system's executives.

That is correct. The vast majority of flights of our fixed-wing aircraft are for medical purposes. MedCenter Air provides the only hospital-based, accredited fixed-wing air ambulance service based in North or South Carolina. A small number of fixed-wing flights transport System executives. Helicopters are used for medical flights only.

Of the 4,064 flights by MedCenter Air's fixed-wing aircraft between 2008 and 2012, the vast majority involved the transport of critically injured or sick patients. Only 29 of these flights, or less than one percent, involved personal travel by Carolinas HealthCare System's CEO.

Please elaborate on how the planes are used. What sorts of patient transports are handled by those planes? In what sorts of cases are they used by system executives? Roughly what percentage of flights made by CHS planes carries system executives?

Fixed-wing flights are used to transport patients with a wide variety of medical conditions. Often those conditions are life-threatening and include heart attacks, strokes, burns, complications from premature birth and traumatic injuries. In addition, medical missions are flown to locations nationwide to retrieve donor organs for Carolinas HealthCare System's transplant program. Because the timing of when an organ is procured is not something that can be planned, having aircraft CHS controls allows a lower cost option than chartering commercial aircraft on short notice.

Although the vast majority of Carolinas HealthCare System's business travel is booked on commercial airlines, the aircraft are also used to transport executives in certain cases when it makes sense. Considerations for executive corporate travel may include short time frames to coordinate and book travel, inadequate commercial service or no commercial service available for the destinations, long drive times, time that would be spent waiting for departures and connections of commercial aircraft, and an ability to work more efficiently, among others.

According to our records for the previous five years (2008-2012), MedCenter Air fixed-wing aircraft operated 4,064 flights. Out of those, 380 (9.35%) flights transported executives.

How much does it cost to operate the CHS fixed-wing planes annually?

For the previous two years (2011 and 2012), the cost to operate MedCenter Air's fixed-wing aircraft has averaged \$3.9M per year (not including medical/clinical staff). Carolinas HealthCare spent about \$12 million on its aircraft last year, and generated about \$12.6 million in revenue from them.

Are the planes ever operated for the benefit of other companies or organizations – and if so, how often? How do those arrangements work – do other companies or organizations pay a fee to lease or charter the planes?

More than 50 medical centers, insurance companies, governmental units and other entities contract with MedCenter Air for air ambulance charter flights of individuals to medical facilities throughout the United States. Sometimes these trips include retrieving patients from foreign locations where they may have fallen ill or been injured. In these cases, the trips are billed to the client as an air ambulance charter.

What compensation has the system received for that in recent years?

For the previous two years (2011 and 2012), the total net revenue averaged \$4M. Approximately 85 percent was received from contracts with outside parties for the fixed-wing air ambulance charter services.

We've taken a look at the detailed flight histories of several of the CHS planes, and have talked with people who are familiar with the operation of those planes, and it appears that the planes have made many trips beyond the Carolinas. Among the locations to which the planes have flown: Boca Raton, Orlando, West Palm Beach, Hyannis, Ma., Cancun and Montego Bay. What are the purposes of such trips?

All international flights are medical related. Non-medical travel is limited to the continental United States, meaning all flights to Cancun and Montego Bay were air ambulance charter flights, as were the Bermuda flights referenced in a later question.

Looking back to 2008, there were three flights to Boca Raton of which two were medical and one was corporate business, 14 flights to Orlando of which 10 were medical and four were corporate business, 15 flights to West Palm Beach, all of which were medical, and two flights to Hyannis, both of which were medical.

It also appears that Mr. Tarwater has used CHS planes for a number of personal trips. For instance, since 2005, CHS planes have made more than 20 flights to Dothan, Alabama, where Mr. Tarwater's daughter, grandchildren and one of his brothers live. They've also made at least 18 trips to Pensacola, near where Mr. Tarwater's father lives. A few of the trips happened around the time Mr. Tarwater's mother died in Pensacola. The planes have also made more than 20 trips to Nashville, near the town where one of Mr. Tarwater's brothers lives.

How many personal trips has Mr. Tarwater taken on the system's planes in each of the past five

years? How many business trips has he taken on those planes during the same period?

Of the 4,064 MedCenter Air fixed-wing flights over the previous five years (2008-2012), Mr. Tarwater has been on board 130 flights. Of those, 101 were corporate business flights and 29 were personal flights. For each personal flight, CHS imputes income to the executive in accordance with CHS policy and IRS guidelines.

Are the personal plane trips counted as part of Mr. Tarwater's compensation? If so, how large an allowance does he have for personal travel on the system's planes?

Personal travel is reported as income to the requesting senior executive, in accordance with CHS policy and IRS guidelines. He has reported an average of \$2,475 per year as income attributable to his personal flights. While not required to report the amount, Mr. Tarwater personally agreed to share this figure directly in order to demonstrate the relatively small amount.

Does Mr. Tarwater pay the system for his personal travel on CHS aircraft? If so, how much has he paid the system for the use of the aircraft during each of the past five years?

In accordance with CHS policy and IRS guidelines, personal travel is reported as income to the requesting senior executive; therefore, the senior executive does not and cannot directly pay the System.

Which other CHS officials are allowed personal use of the system's planes? How do their arrangements work? Is this counted as part of their compensation? Are they required to repay the system for use of the planes?

With CEO approval and in accordance with CHS policy and IRS guidelines, senior executives may use aircraft for personal travel. This travel is reported as income to the senior executive.

Have any members of the CHS board of directors traveled on the system's planes? If so, how much of that travel was for business and how much for pleasure?

Records from the previous five years reveal that only one board member has flown with MedCenter Air, and that flight was for a business meeting in 2011 in South Carolina, and there has been no personal use.

We understand Mr. Tarwater has an airline transport pilot rating and often flies the planes owned by CHS. How often has he piloted those planes in the past five years? How often has he served as a co-pilot? How many hours of flight piloting time has he logged on all the CHS planes?

Does the hospital system, MedCenter Air or Landmark Aviation insure him as a pilot? How do Mr. Tarwater's pilot credentials compare to those of the MedCenter Air pilots who fly CHS planes?

The following answer responds to the three previous questions: When traveling on MedCenter Air aircraft, Mr. Tarwater has often served as co-pilot, but never as captain. Out of the 130 flights previously mentioned, he has been co-pilot on 68 flights. Out of those, 29 MedCenter Air flights were personal. His pilot credentials are the same as other MedCenter Air pilots. Pilots are

insured as a group; there are no named pilots on the policy.

We'd like to interview Mr. Tarwater about his use of the company planes. Would that be possible?

Carolinas HealthCare System's response to these questions is completely contained in this written document. Mr. Tarwater will not be available for interview.

Elsewhere, some experts have questioned whether executives should use company planes for personal trips. What's the view of system officials? Should the system's planes be used for personal trips? And if so, why?

Corporate and personal flights are allowed but are secondary to patient and medical transports. Personal travel is reported as income to the requesting senior executive, in accordance with CHS .policy and IRS guidelines.

Some contend it would be less expensive to companies if their executives took commercial flights instead of company planes. What are your thoughts about that in the case of CHS?

Although the vast majority of Carolinas HealthCare System's business travel is booked on commercial airlines, MedCenter Air planes may be used to transport executives. Considerations for executive corporate travel may include short time frames to coordinate and book travel, inadequate commercial service at destinations, long drive times, time that would be spent waiting for departures and connections of commercial aircraft, and an ability to work more efficiently, among others.

Also, from the flight data, we see that CHS planes have taken more than 70 trips to Bermuda going back to 2005. But on most of the return flights, the plane traveled to cities outside the Carolinas - often Boston or Baltimore. Please discuss what those flights are for.

The flights from Bermuda to other locations in the U.S., including Boston and Baltimore, were to serve as an air ambulance charter for an organization that routinely provides care to residents of Bermuda in U.S. healthcare facilities.

How many pilots and mechanics are employed to operate and maintain the Carolinas HealthCare System planes and helicopters?

Forty people, including pilots and mechanics, are employed to operate the 24 hours per day, 7 days per week, 365 days per year MedCenter Air operation of fixed-wing aircraft and helicopters.

To help make sense of all this, we'd also like to request copies of the flight logs for three CHS planes – those with tail numbers N291cm, N207cm and N205 cm – from 2005 to the present. We'd also like to request the passenger lists for those flights.

Available "flight log" data has been shared.