APPENDIX N

22. **Press Releases and Related Information.** Attach as Appendix N any and all press releases, newspaper articles, radio transcripts, audiotapes and videotapes of any television commercials or reports regarding the Transaction and any other offers identified in Request #20.

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**Press Releases**

- February 13, 2014, *Wellmont Selects National Consulting Firm To Help Explore Strategic Options For Health System’s Future*
- May 2, 2014, *An Update From The CEO*
- June 11, 2014, *Letter from the CEO and Board Chair*
- July 22, 2014, *Impressive new chairman leads the way for Wellmont*
- July 27, 2014, “*We are not ruling out any options and will consider all viable possibilities*”
- July 30, 2014, *Update on our strategic options from Wellmont’s chairman*
- August 7, 2014, *Wellmont Launches New Website As Part Of Next Phase Of Partnership Exploration Process*
- August 8, 2014, *Stand Up for Wellmont*
- September 10, 2014, *Wellmont CEO to transition from her role*
- September 15, 2014, *Wellmont names interim president and CEO*
- September 26, 2014, *Letter to the Tri-Cities’ Chamber of Commerce*
- November 10, 2014, *Strategic Options Process By Wellmont Board Continues To Progress, With Field Narrowed To Two*
- December 11, 2014, *Work continues on Wellmont’s strategic options evalutation [sic]; process expected to extend into new year*
- January 2015, *Wellmont Health system Launches Process to Assess Strategic Options for Future*
- April 2, 2015, *Wellmont Health System, Mountain States Health Alliance Announce Plans to Pursue an Integrated Health System*
- April 7, 2015, *Wellmont Health System, Mountain States Health Alliance Name Members of Integration Council*
• May 6, 2015, Wellmont Health System, Mountain States Health Alliance Name Members of Joint Board Task Force

• June 10, 2015, Wellmont Health System, Mountain States Health Alliance to Seek Input on Key Health Issues, Call for Public Participation

• August 5, 2015, Wellmont, Mountain States Announce Chairs, Meeting Dates for Community Health Work Groups

• September 16, 2015, Wellmont, Mountain States File Letters of Intent to Begin Regulatory Approval Process in Tennessee and Virginia

• January 7, 2016, Wellmont, Mountain States Share Public Report Outlining Future Plans to Improve Health in Region

• February 16, 2016, Certificate of Public Advantage, Cooperative Agreement Applications Filed by Wellmont, Mountain States

• September 14, 2016, Media advisory: Wellmont and Mountain States announce name for proposed new health system

Forward with Vision Newsletters
• July 22, 2014, Wellmont Strategic Options Update, Forward With Vision Newsletter

• August 13, 2014, More questions answered and rumors addressed, Forward With Vision Newsletter

• August 25, 2014, Sharing a common vision for Wellmont’s future, Forward With Vision Newsletter

• September 5, 2014, Growing to provide the best care possible, for you here at home, Forward With Vision Newsletter

• September 16, 2014, Bart Hove returns to Wellmont as interim president and CEO, Forward With Vision Newsletter

• September 26, 2014, The key issues shaping our alignment decision, Forward With Vision Newsletter

• October 15, 2014, Key updates to our strategic [sic] options process, Forward With Vision Newsletter

• October 30, 2014, Wellmont board engages in extensive internal and community outreach, Forward With Vision Newsletter

• November 10, 2014, Wellmont partnership search narrows to two, Forward With Vision Newsletter
• November 25, 2014, *Wellmont’s strengths shine during partnership search*, Forward With Vision Newsletter

• December 11, 2014, *Wellmont’s strategic options process continues, remains on track*, Forward With Vision Newsletter


• February 19, 2014, *Wellmont board continues to make progress on strategic options evaluation*, Forward With Vision Newsletter

**Better Together Newsletters**

• April 16, 2015, Better Together Newsletter

• May 6, 2015, Better Together Newsletter

• July 2, 2015, Better Together Newsletter

• July 10, 2015, Better Together Newsletter

• August 5, 2015, Better Together Newsletter

• August 28, 2015, Better Together Newsletter

• September 16, 2015, Better Together Newsletter

• January 1, 2016, Better Together Newsletter

• February 16, 2016, Better Together Newsletter

• August 26, 2016, Better Together Newsletter

• September 16, 2016, Better Together Newsletter

• November 9, 2016, Better Together Newsletter

**Print Media Coverage**

• January 9, 2014, “Wellmont embarks on search for potential merger partner,” *Bristol Herald Courier*

• January 9, 2014, “Wellmont to explore options for the future, possible affiliation with another system,” *Johnson City Press*

• January 10, 2014, “Wellmont Health System Mulls Affiliation Options,” *Beckers Hospital Review*
• January 10, 2014, “Wellmont Health to look for a financial or M&A cure,” Deal Pipeline
• January 13, 2014 approximately, “Wellmont begins review of entire system,” Coalfield Progress
• January 16, 2014, “Wellmont starts search for financial adviser,” Deal Pipeline
• January 21, 2014, “In need of financial stability, Wellmont Health System is reviewing its options, including possibly aligning with another health system,” HealthLeaders Media
• January 22, 2014, “Behind Wellmont Health's Search for a Partner,” HealthLeaders Media
• June 11, 2014, “Wellmont still working through process to align with another health organization,” Bristol Herald Courier
• June 11, 2014, “Wellmont's options include aligning with another health care system,” Kingsport Times-News
• July 14, 2014, “Community must get involved in our health systems’ future,” Kingsport Times-News
• July 17, 2014 approximately, “Wellmont narrows down partnership search,” Modern Healthcare
• July 21, 2014, “Mountain States on the block?” Johnson City Press
• July 22, 2014, “Mountain States Health Alliance CEO discusses financial future,” WCYB
• July 22, 2014, “Roger Leonard named chariman of Wellmont’s board of directors, highlights health system’s quality,” Rogersville Review

• July 22, 2014 approximately, “Health systems can peacefully coexist,” Kingsport Times-News

• July 27, 2014, “Wellmont strives to be a low-cost, high-quality health provider,” Bristol Herald Courier

• July 30, 2014, “Wellmont continues to explore merger options,” Johnson City Press

• July 30, 2014, “Wellmont narrows down potential partners,” WCYB

• August 2014, “And then there were three,” Business Journal of Tri-Cities Tennessee Virginia


• August 11, 2014 approximately, “Roger Leonard Op-Ed,” Lebanon News

• August 14, 2014, “Powers decries secrecy around Wellmont's potential merger partner,” Bristol Herald Courier

• August 14, 2014, “Mountain States issues ‘no intention to change’ letter,” Johnson City News and Neighbor

• August 14, 2014, “Update: Community forum being held to provide input on future of region’s hospital systems,” Kingsport Times-News

• August 15, 2014, “Kingsport mayor talks Wellmont merger,” Kingsport Times-News

• August 18, 2014, “Overflowing concern,” Bristol Herald Courier

• August 18, 2014, “Throng turns out for meeting over hospital systems’ future,” Johnson City News & Neighbor

• August 19, 2014, “Video: Wellmont’s assets need to stay under local control, panel says,” Kingsport Times-News

• August 19, 2014, “Community meets to discuss Wellmont merger,” WCYB

• August 19, 2014 approximately, “Let’s hope that Wellmont, MSHA do what’s best for the region,” Kingsport Times-News

• August 19, 2014 approximately, “Wellmont Launches New Website As Part Of Next Phase Of Partnership Exploration Process,” Citizen Tribune

• August 19, 2014 approximately, “Questions to Answer,” Johnson City Press

• August 22, 2014, “Wellmont chairman says health care provider has common ground with business leaders,” Kingsport Times-News & Johnson City Press
• August 25, 2014, “Why big health care systems like Wellmont are looking at partnering as a means to survive,” Kingsport Times-News

• August 25, 2014 approximately, “Is a Wellmont, MSHA merger good for the region?” Johnson City Press

• August 25, 2014 approximately, “Is it time to add some objectivity to the issue of Wellmont’s future,” Kingsport Times-News

• August 25, 2014 approximately, “Future of Wellmont Health System a matter that concerns us all,” Kingsport Times-News

• August 27, 2014, “Banker, allies continue push for Wellmont-MSHA talks,” Johnson City News & Neighbor

• August 31, 2014, “Chamber actively seeking answers from Wellmont,” Bristol Herald Courier

• September 2014, “And then there were three – part two,” Business Journal of Tri-Cities Tennessee Virginia

• September 2, 2014, “BMA urges Wellmont, MSHA to weigh impact of loss of local control,” Kingsport Times-News

• September 3, 2014 approximately, “Health system merger could be detrimental to the region,” Johnson City Press

• September 5, 2014, “Johnson City Commission urges MSHA, Wellmont to stay local,” Johnson City Press

• September 7, 2014, “The changing face of health care,” Bristol Herald Courier

• September 8, 2014, “Don’t put too much faith in rumors about Wellmont’s ‘done deal,’” Kingsport Times-News

• September 8, 2014 approximately, “Let Wellmont’s board do its job before taking to streets,” Kingsport Times-News

• September 10, 2014, “Wellmont CEO stepping down,” Bristol Herald Courier


• September 10, 2014, “Wellmont CEO stepping down,” WCYB

• September 10, 2014, “Wellmont CEO steps down amid massive changes for health care system,” WJHL


- September 12, 2014, “Merger still on tap? Wellmont won’t seek permanent CEO,” *Johnson City Press*

- September 12, 2014, “A physician’s perspective of the changing health care scene,” *Bristol Herald Courier*

- September 12, 2014, “Wellmont CEO resigns as merger talks continue,” *Rogersville Review*

- September 15, 2014, “Bart Hove named interim Wellmont president,” *Bristol Herald Courier*

- September 15, 2014, “Update: Hove named Wellmont's interim CEO,” *Johnson City Press*

- September 15, 2014, “Wellmont finds interim CEO,” *Kingsport Times-News*

- September 16, 2014, “Interim CEO: Wellmont system's board ‘trying to do the right thing.’” *Bristol Herald Courier*

- September 16, 2014 approximately, “Hospital merger,” *Johnson City Press*

- September 16, 2014 approximately, “Merger would create monopoly,” *Kingsport Times-News*

- September 17, 2014, “Update: Shakeup doesn’t stop push for Wellmont-Mountain States talks,” *Johnson City News & Neighbor*

- September 20, 2014, “Lingering questions about Wellmont and its CEO,” *Bristol Herald Courier*

- September 23, 2014, “Hospital systems’ competition hasn’t benefitted consumers,” *Johnson City News & Neighbor*

- September 24, 2014, “Wellmont set to meet potential merger partners in November,” *Bristol Herald Courier*

- September 30, 2014, “The region must work to ‘pull together’ on health care service,” *Johnson City Press*

- September 30, 2014, “Levine: Local control most important concern for Tri-Cities health care,” *Johnson City Press & Kingsport Times-News*

- October 3, 2014, “Noland: Region’s health care should stay local, meet community's needs,” *Bristol Herald Courier*

- October 7, 2014, “Unproductive competition is vital,” *Kingsport Times-News*

- October 10, 2014, “Regional chambers shift to neutral on potential Wellmont merger,” *Johnson City Press*
• October 13, 2014, “Wellmont first replaces CEO, now COO amid merger search,” Johnson City Press

• October 13, 2014, “Wellmont announces another leadership change,” Kingsport Times-News

• October 13, 2014, “Eric Deaton, A Veteran Health Care Executive, Returns To Wellmont As Chief Operating Officer,” Wellmont News Release

• October 14, 2014, “Should the Chamber of Commerce take a position on Wellmont's partnership quest?,” Johnson City Press


• October 17, 2014, “Wellmont leaders look to leave limelight to mull merger options,” Johnson City Press

• October 17, 2014, “Wellmont narrows choices to 3,” Bristol Herald Courier

• October 17, 2014, “Wellmont partner search not affected by leadership changes,” Kingsport Times-News

• October 20, 2014, “Sullivan County officials urge Wellmont to maintain local control of its health care system,” Bristol Herald Courier

• October 20, 2014 approximately, “Chamber’s silence on possible health care merger is disappointing,” Johnson City Press

• October 27, 2014, “Wellmont leaders meet to discuss strategic options,” Johnson City News & Neighbor

• October 29, 2014, “Updated: Johnson City area Chamber backs Wellmont-Mountain States merger,” Johnson City Press

• October 30, 2014, “Chamber of Commerce right in finally speaking up about Mountain States-Wellmont merger,” Johnson City Press

• November 10, 2014, “Remaining Wellmont merger options fit mission goals, board leaders say,” Bristol Herald Courier

• November 10, 2014 approximately, “Competition is Healthy,” Johnson City Press

• November 10, 2014 approximately, “Wellmont’s value,” Kingsport Times-News

• November 10, 2014, “Two finalists remain in Wellmont partner search,” WCYB

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• November 10, 2014 approximately, “Improve healthcare,” Johnson City Press

• November 12, 2014, “On a mission: Pair try to prevent Wellmont from aligning with an outside system,” Kingsport Times-News


• November 22, 2014, “SWVa. legislators urge Wellmont officials to be open about merger,” Bristol Herald Courier

• November 24, 2014, “Wellmont merger prospects reduced to two systems,” Johnson City News & Neighbor

• November 25, 2014, “Whether solo or with Mountain States, panel urges Wellmont to stay local,” Johnson City Press

• November 28, 2014, “Johnson City Chamber supports merger of Wellmont with Mountain States Health Alliance,” WCYB


• December 4, 2014, “Don't sell out to Mountain States Health Alliance,” Bristol Herald Courier

• December 8, 2014 approximately, “Respect decision,” Johnson City Press

• December 12, 2014, “UPDATE: Date for Wellmont merger decision postponed,” Johnson City Press

• December 27, 2014, “Region’s Top 10 stories of 2014,” Bristol Herald Courier


• January 1, 2015, “Hove: Wellmont decision likely soon,” Bristol Herald Courier

• January 20, 2015 approximately, “Wellmont merger must be based on quality, not competition,” Johnson City Press

• January 27, 2015 approximately, “Coordinated competition can help reduce health care costs,” Johnson City Press

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• March 30, 2015, “Wellmont expected to explore MSHA merger,” Bristol Herald Courier

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• March 31, 2015, “Wellmont, Mountain States Health Alliance expected to merge,” Beckers Hospital Review

• March 31, 2015, “Wellmont planning to outline its future at Thursday news conference,” Bristol Herald Courier

• March 31, 2015, “Reports: MSHA, Wellmont to announce merger on Thursday,” Kingsport Times-News

• March 31, 2015, “Pending legislation will pave the way for Wellmont-MSHA merger,” WCYB

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• April 1, 2015, “Tri-Cities health systems quiet as merger meeting looms,” Johnson City Press

• April 1, 2015, “Wellmont memo adds details on merger with Mountain States,” Kingsport Times-News

• April 1, 2015, “Mountain States announces merger to employees,” WCYB

• April 1, 2015, “Wellmont informs employees of merger,” WCYB
• April 1, 2015, “Va. attorney general talks about his role in merger,” *WCYB*
• April 1, 2015, “Long Road to MSHA-Wellmont Merger,” *WCYB*
• April 1, 2015, “Wellmont releases internal memo confirming planned merger with MSHA,” *WJHL*
• April 1, 2015, “MSHA’s note to employees confirms partnership with Wellmont,” *WJHL*
• April 2, 2015, “Wellmont, Mountain States Health Alliance officials make deal public,” *Bristol Herald Courier*
• April 2, 2015, “Wellmont, MSHA launch ‘Better Together’ website ahead of afternoon press conference,” *Bristol Herald Courier*
• April 2, 2015, “Wellmont-MSHA news conference wrapping up with signing of vision statement,” *Bristol Herald Courier*
• April 2, 2015, “ETSU president says school to help assess the region's patient needs,” *Bristol Herald Courier*
• April 2, 2015, “Wellmont Health System, Mountain States Health Alliance Announce Plans to Pursue an Integrated Health System,” *Business Wire*
• April 2, 2015, “Pre-announcement release gives more details on health system merger,” *Johnson City Press*
• April 2, 2015, “‘Better together:’ Wellmont, Mountain States officially announce merger plans,” *Johnson City Press*
• April 2, 2015, “Sound off: Is a Wellmont, MSHA merger good for the region?” *Johnson City Press*
• April 2, 2015, “Wellmont, MSHA kick off historic merger,” *Kingsport Times-News*
• April 2, 2015, “Wellmont, MSHA sign term sheet,” *Kingsport Times-News*
• April 2, 2015, “Wellmont, Mountain States announce plans to pursue integrated health system,” *The Rogersville Review*
• April 2, 2015, “Medical merger is official,” *WCYB*
• April 2, 2015, “The 4 to lead merged health system,” *WCYB*
• April 2, 2015, “Wellmont, Mountain States announce merger before news conference,” *WCYB*
• April 3, 2015, “Details of Wellmont, Mountain States merger released,” *Beckers Hospital Review*
• April 3, 2015, “Wellmont-MSHA news conference wrapping up with signing of vision statement,” *Bristol Herald Courier*
• April 3, 2015, “Two Major Area Health Care Providers Announce Merger,” *Greeneville Sun*

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• April 5, 2015, “Merger's effect on local economy: New entity would employ 15,000 workers,” *Johnson City Press*

• April 5, 2015, “ETSU's role in local health care will grow as result of merger,” *Johnson City Press*

• April 5, 2015, “Health care systems see positives for patients with merger,” *Johnson City Press*

• April 5, 2015, “Merger faces state, federal scrutiny,” *Johnson City Press*

• April 5, 2015, “Wellmont, MSHA try to turn the page after competing hard against each other for more than a decade,” *Kingsport Times-News*

• April 6, 2015, “Thursday’s merger announcement . . .” *WCYB*


• April 7, 2015, “Wellmont, MSHA announce integration committee lineup,” *Bristol Herald Courier*

• April 7, 2015, “MSHA bond rating on 'rating watch',” *Kingsport Times-News*

• April 7, 2015, “MSHA, Wellmont hospital merger discussions planned for this week,” *WJHL*

• April 8, 2015, “Wellmont, MSHA appoint integration board members,” *Kingsport Times-News*

• April 8, 2015, “Congressman Roe says Wellmont-MSHA merger will be monopoly,” *WJHL*

• April 9, 2015, “Wellmont, Mountain States Name Members Of Integration Council,” *Greeneville Sun*

• April 9, 2015, “Noland: ETSU to play broad, crucial role in proposed health system,” *Johnson City News & Neighbor*

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• April 13, 2015, “Proposed bill to update Tennessee's COPA law will impact MSHA, Wellmont Health System merger,” Becker's Hospital Review

• April 13, 2015, “Wellmont Health System, Mountain States Health Alliance Name Members of Integration Council,” Lebanon News

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• April 15, 2015, “Merger will impact ETSU,” East Tennessean

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• April 16, 2015, “MSHA/Wellmont merger has support of TN’s largest physicians organization,” WJHL

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• April 26, 2015, “Alliance for Rural Health to reapply for Tobacco Commission funding,” Bristol Herald Courier

• April 26, 2015, “The battle must end: Health care officials say merger is best route to serve community,” Johnson City Press

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• May 2015, “Legislation luncheon focuses on working together for best interests,” Bristol Herald Courier

• May 2, 2015, “Rural hospitals struggle to stay open, adapt to changes,” Johnson City Press

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• May 4, 2015 approximately, “It’s time to break the cycle of obesity in Tennessee,” Kingsport Times-News

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• May 6, 2015, “Wellmont, Mountain States CEOs discuss potential merger benefits,” *Bristol Herald Courier*

• May 6, 2015, “Wellmont, MSHA announce board members for joint merger task force,” *Bristol Herald Courier*

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• May 7, 2015, “Wellmont, MSHA appoint task force to explore merger,” *Kingsport Times-News*

• May 8, 2015, “Health systems set joint task force for merger talks,” *Johnson City Press*

• May 11, 2015 approximately, “Education can create heroes and end poverty,” *Johnson City Press*

• May 11, 2015 approximately, “Wellmont, MSHA name joint task force members,” *Rogersville Review*

• May 11, 2015 approximately, “Health Systems name merger task force,” *The Post*

• May 26, 2015, “Bristol Virginia City council approves tax hike,” *Bristol Herald Courier*

• May 26, 2015 approximately, “Healthy bodies, healthy economies,” *Johnson City Press*


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• June 10, 2015, “MSHA, Wellmont announce plans to form groups seeking public input,” *Bristol Herald Courier*

• June 11, 2015, “Letter to the editor BRMC care is over the top,” *Bristol Herald Courier*

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• June 12, 2015, “Tri-Cities health systems form work groups to aim merged system,” *Johnson City Press*

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• July 2015, “No pain, no gain when it comes to hospital merger,” Business Journal of Tri-Cities Tennessee Virginia

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• July 14, 2015 approximately, “RCMC Administrator Updates county Supervisors On Numerous Recent Activities And Advancements,” Lebanon News

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• July 27, 2015 approximately, “Community Voices,” Johnson City Press and Johnson City News & Neighbor

• July 27, 2015 approximately, “Wellmont, MSHA merger would end duplication, bring new services to area,” Kingsport Times-News

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• July 29, 2015, “Why an Academic Health Sciences Center,” Kingsport Times-News

• August 2015, “TCAT hosts health roundtable,” Business Journal of Tri-Cities Tennessee Virginia

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• August 2015 approximately, “No merger,” Johnson City Press

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• August 5, 2015, “Hospital merger monopoly would raise medical costs,” Bristol Herald Courier

• August 5, 2015, “Sessions to focus on health issues,” Bristol Herald Courier
• August 5, 2015, “MSHA, Wellmont to hold community meetings about health care issues ahead of merger,” Johnson City Press

• August 5, 2015, “Wellmont, MSHA schedule community meetings on merger,” Kingsport Times-News

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• August 10, 2015, “Press wants questions for MSHA/Wellmont hospital merger forum,” Johnson City Press

• August 14, 2015, “TCAT hosts health roundtable,” Elizabethton Star


• August 18, 2015 approximately, “Cup of Kindness Awards,” Business Journal of Tri-Cities Tennessee Virginia

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• August 30, 2015, “Answers to come about the health system merger,” Johnson City Press

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• September 7, 2015 approximately, “Better Care,” Johnson City Press

• September 10, 2015, “New rules to impact proposed MSHA-Wellmont merger,” Johnson City News & Neighbor

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• September 17, 2015, “Health systems set out for difficult COPA process,” Johnson City Press

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• September 22, 2015, “MSHA, Wellmont hold health roundtable discussion in Smyth County,” SWVA Today

• September 25, 2015, “Can a merged health care system meet Unicoi County's medical needs?” Johnson City Press

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• October 2015 approximately, “MSHA, Wellmont host roundtable discussions,” Erwin Record

• October 2015 approximately, “Good health is about more than medicine,” Kingsport Times-News

• October 2015 approximately, “Health care costs,” Johnson City Press

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• October 7, 2015, “Meetings to be held on planned Wellmont-MSHA merger,” Kingsport Times-News

• October 10, 2015, “As neighbor's COPA dissolves, local health systems hope to get one of their own,” Johnson City Press

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• October 12, 2015 approximately, “Mountain States Health Alliance and Wellmont Health System Holds Community Health Roundtable Meeting in Russell County,” Lebanon News

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• October 14, 2015, “Health Systems Continue To Solicit Community Input Through Health Round Table Meetings,” Lebanon News and Coalfield Progress

• October 17, 2015, “Wellmont/MSHA merger would greatly benefit area,” Bristol Herald Courier

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Television and Visual Media Coverage

I. Wellmont Strategic Options

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- August 6, 2014, WKPT ("Wellmont launches new website as part of partnership exploration process") https://www.youtube.com/watch?v=0--wLaU6AFQ&feature=youtu.be&list=PLRCDuIN_bjQtQ_PTK2aiYbDAvDN65eFHN
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II. News Broadcasts (YouTube and Video Links)

A. WCYB

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   • “Bill Green discusses Wellmont’s strategic options process”
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   March 31, 2015

   • “Pending legislation will pave the way for Wellmont-MSHA merger”

MSHA5667
April 2, 2015

- “6pm, April 2nd: Preston Ayres on employees & merger”

- “5:30, April 2nd: Preston Ayres on hospitals & rural areas”

- “6pm, April 2nd: Olivia Bailey with Johnson City mayor”

April 3, 2015

- “Paul Johnson interviews execs on both sides of merger”

- “19 hospitals & 14,000 employees affected”

April 23, 2015

- “Wellmont president and CEO discusses rationale for merging with MSHA”
  https://www.youtube.com/watch?v=pHNgAhQVWdk&feature=youtu.be

June 10, 2015

- “The community will have an opportunity to share region’s health care future”
  https://www.youtube.com/watch?v=gZ1NcX8xLPU&feature=youtu.be

August 11, 2015

- “Wellmont, Mountain States set dates for community health meetings”
  https://www.youtube.com/watch?v=q86pubnr4rA&feature=youtu.be

August 16, 2015

- “Initial community works meeting held to learn more about region’s health needs”
  https://www.youtube.com/watch?v=PemfS-ZkyTg&feature=youtu.be

August 24, 2015

- “Public discusses health needs at Southwest Virginia Higher Education Center”
  https://www.youtube.com/watch?v=Zeg5pvPMNcA&feature=youtu.be
September 16, 2015

- “Wellmont, Mountain States file letters of intent as part of proposed merger process” https://www.youtube.com/watch?v=HeP7u9OC7oA&feature=youtu.be
- “Wellmont, Mountain States discuss Certificate of Public Advantage at forum” https://www.youtube.com/watch?v=u6osAg2L61A&feature=youtu.be

October 6, 2015

- “Wellmont, Mountain States hold community round table in Duffield” https://www.youtube.com/watch?v=paziC7H339w&feature=youtu.be

February 8, 2016

- “WCYB's first proposed merger update story” https://www.youtube.com/watch?v=gtit0TriiVM&feature=youtu.be
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February 16, 2016

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March 16, 2016

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- “WCYB 6 p.m. story on the state meeting” https://www.youtube.com/watch?v=--LwVjfWD_dY&feature=youtu.be
- “WCYB 5 p.m. story about state meeting” https://www.youtube.com/watch?v=hTZq6mr6i8&feature=youtu.be

September 14, 2016

- "Ballad Health selected as name for proposed new health system" https://www.youtube.com/watch?v=bn4ujNPelWc&feature=youtu.be

September 30, 2016

October 4, 2016

- "WCYB story about letter"
  https://www.youtube.com/watch?v=Kzx2ohwN2Eo&feature=youtu.be

October 13, 2016

- "WCYB story about commitments document"
  https://www.youtube.com/watch?v=rxVlb0gPcg&feature=youtu.be

November 8, 2016

- “Health authority votes to recommend cooperative agreement”
  https://www.youtube.com/watch?v=fvJ0zyTFqdl&feature=youtu.be

November 21, 2016

- “WCYB story about hearing in Johnson City”
  https://www.youtube.com/watch?v=aJXpu0elX9s&feature=youtu.be

B. WJHL

September 29, 2014

- “Wellmont leaders meet with ETSU officials”
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May 7, 2015

- “Local Chambers of Commerce support proposed merger of Wellmont and MSHA” https://www.youtube.com/watch?v=6vhFoBnyJmQ&feature=youtu.be

June 10, 2015

- “Wellmont, Mountain States create community work groups”
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- “Wellmont, MSHA creating four community work groups”
  https://www.youtube.com/watch?v=pzAuh2FkWvM&feature=youtu.be

August 5, 2015

- “Meetings scheduled to gain input from public on health issues”
  https://www.youtube.com/watch?v=mpUREXQdV60&feature=youtu.be

- “Public will have opportunity to share information about health issues in the region”
  https://www.youtube.com/watch?v=YPMGGczNX6Y&feature=youtu.be
August 16, 2015

- “Wellmont, Mountain States hold first community work groups meeting”
  https://www.youtube.com/watch?v=EuFkaMyjXsg&feature=youtu.be

August 24, 2015

- “Proposed merger of Wellmont and Mountain States continues to progress”
  https://www.youtube.com/watch?v=wF0f9E5rBNc&feature=youtu.be
- “Wellmont, Mountain States have much in common”
  https://www.youtube.com/watch?v=tMGPKDDr8u4&feature=youtu.be
- “Decisions about current services in merged organization cannot be made now”
  https://www.youtube.com/watch?v=wWbQY5tI3Sw&feature=youtu.be
- “Wellmont, Mountain States would be better together as a merged system”
  https://www.youtube.com/watch?v=y79JijajXEOo&feature=youtu.be
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  https://www.youtube.com/watch?v=eciRD8RcEx8&feature=youtu.be
- “A merged organization would provide increased access”
  https://www.youtube.com/watch?v=Q1EAPNnLQcU&feature=youtu.be

August 25, 2015

- “Steering committee for Mental Health & Addiction held”
  https://www.youtube.com/watch?v=hkq3MMELA0w&feature=youtu.be

September 16, 2015

- “Wellmont, Mountain States take next step in proposed merger process”
- “Next step taken in proposed merger of Wellmont, Mountain States”
  https://www.youtube.com/watch?v=IoK-flHW9UY&feature=youtu.be
- “Attendees at forum speak highly of proposed merger of Wellmont and Mountain States”
  https://www.youtube.com/watch?v=LT288EAW05w&feature=youtu.be

November 13, 2015

- “Wellmont, MSHA leaders discuss West Virginia ruling”
  https://www.youtube.com/watch?v=TZkZLMRjys4&feature=youtu.be

November 20, 2015

- “Story on website” https://www.youtube.com/watch?v=HVE7P4IOP-0&feature=youtu.be
January 7, 2016

- “Wellmont, Mountain States discuss pre-submission report contents”
  https://www.youtube.com/watch?v=9PTp6sudJN4&feature=youtu.be

- “Key report for proposed merger prepared by Wellmont, Mountain States”
  https://www.youtube.com/watch?v=qrxDvk5cKgl&feature=youtu.be

February 15, 2016

- “WJHL story updating merger process”
  https://www.youtube.com/watch?v=dtv2IfWP2U&feature=youtu.be

February 16, 2016

- “Applications filed in Tennessee and Virginia for proposed merger”
  https://www.youtube.com/watch?v=7yRsajUH40g&feature=youtu.be

- “Proposed merger of Wellmont, Mountain States continues moving forward”
  https://www.youtube.com/watch?v=rYQeE6w9yVU&feature=youtu.be

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March 8, 2016

- “Wellmont, MSHA still eyeing go-ahead this year for proposed merger”
  https://www.youtube.com/watch?v=3if9Hi_qU3s&feature=youtu.be

- “Wellmont, MSHA planning to invest in a number of areas of health care”
  https://www.youtube.com/watch?v=N9Sw_HJB7nU&feature=youtu.be

- “Wellmont, MSHA’s intentions for merger are to do the right thing for the region”
  https://www.youtube.com/watch?v=vjbLvtRoKEM&feature=youtu.be

March 16, 2016

- “WJHL 11 p.m. story about state meeting”
  https://www.youtube.com/watch?v=Tx-vIx-PQo0&feature=youtu.be

- “WJHL 7 p.m. story about state meeting”
  https://www.youtube.com/watch?v=CMmuotuBK1c&feature=youtu.be

- “WJHL 6 p.m. story about state meeting on proposed merger”
  https://www.youtube.com/watch?v=jYdMiS07TBM&feature=youtu.be

- “WJHL 5:30 p.m. story about state meeting on proposed merger”
  https://www.youtube.com/watch?v=CGVfbGue-M&feature=youtu.be

- “WJHL 5 p.m. story about state meeting on proposed merger”
  https://www.youtube.com/watch?v=7BsnNbYkzpA&feature=youtu.be
September 14, 2016

- "Name of proposed new health system announced"
  https://www.youtube.com/watch?v=zggcEjivrlw&feature=youtu.be

October 4, 2016

- “WJHL 5 p.m. story about the letter”
  https://www.youtube.com/watch?v=ShPumrvxfxU&feature=youtu.be

- "WJHL 6 p.m. story about the letter"
  https://www.youtube.com/watch?v=44Vz0eJwmXY&feature=youtu.be

October 7, 2016

- "WJHL story about hearing in Bristol"
  https://www.youtube.com/watch?v=zcJxH89bhDA&feature=youtu.be

October 17, 2016

- "WJHL 6 p.m. interview of Bart Hove about response to FTC submission"
  https://www.youtube.com/watch?v=k24H18bYJBk&feature=youtu.be

- “WJHL interview of Bart Hove about response to the FTC submission”
  https://www.youtube.com/watch?v=fHu7wIKiuBk&feature=youtu.be

November 8, 2016

- “Southwest Virginia Health Authority recommends cooperative agreement”
  https://www.youtube.com/watch?v=24LW4XeuoNQ&feature=youtu.be

November 21, 2016

- “WJHL story about hearing in Johnson City”
  https://www.youtube.com/watch?v=NZEcFOxx120&feature=youtu.be

November 24, 2016

- “WJHL story about letter in Tennessee”
  https://www.youtube.com/watch?v=dR7myPEccV4&feature=youtu.be
C. WKPT

September 16, 2014

- "A Closer Look – Mountain States Health Alliance"
  https://www.youtube.com/watch?v=HzND4zMVJxU&feature=youtu.be

April 2, 2015

- “Wellmont, Mountain States to explore merger”
  https://www.youtube.com/watch?v=wVDcFJ2eB2M&feature=youtu.be

May 7, 2015

- “Joint Board Task force created for proposed Wellmont-MSHA merger”
  https://www.youtube.com/watch?v=btwBDrXzmTM&feature=youtu.be

May 18, 2015

- “Life expectancy is greater for those with a college education”
  https://www.youtube.com/watch?v=DHEvTeEotiI&feature=youtu.be

June 10, 2015

- “Work groups being formed by Wellmont, Mountain States”
  https://www.youtube.com/watch?v=Jqhq_UTzcVA&feature=youtu.be

August 5, 2015

- “Wellmont, Mountain States schedule community health work group meetings”
  https://www.youtube.com/watch?v=kXfa1vhKvWg&feature=youtu.be

August 10, 2015

- “First community meetings on health needs coming this week”
  https://www.youtube.com/watch?v=z7jUY3SL3Wg&feature=youtu.be

August 16, 2015

- “First community works group meeting held in Elizabethton”
  https://www.youtube.com/watch?v=wW2w7JuE28w&feature=youtu.be

September 16, 2015

- “Wellmont, Mountain States file paperwork with Tennessee, Virginia”
  https://www.youtube.com/watch?v=uaiGaEN3wXQ&feature=youtu.be

November 13, 2015

- “Wellmont, MSHA will control costs in proposed merger”
  https://www.youtube.com/watch?v=yi_VuLJDd60&feature=youtu.be
III. Videos Embedded in Print Stories (Print stories provided as pdfs in the News Coverage Folder)

A. WCYB

2014.7.22 - WCYB.pdf

- “Mountain States Health Alliance CEO discusses financial future”

2015.3.30 - WCYB.pdf

- “Health system merger announcement expected Thursday”
  http://www.wcyb.com/health/health-system-merger-announcement-expected-thursday/14251692

2015.3.31 - WCYB.pdf

- “Pending legislation will pave the way for Wellmont-MSHA merger”

2015.4.1 - WCYB.pdf


2015.4.1 - WCYB (2).pdf

- “Mountain States announces merger to employees”

2015.4.1 - WCYB (3).pdf

- “Va. attorney general talks about his role in merger”

2015.4.1 - WCYB (4).pdf

- “Wellmont informs employees of merger”

2015.4.2 - WCYB (2).pdf

- “Medical merger is official” http://www.wcyb.com/news/regional/medical-merger-is-official/14215650

89
2016.1.8 - WCYB.pdf

- “Specific health system merger plans revealed”
  http://www.wcyb.com/news/regional/specific-health-system-merger-plans-
  revealed/14159218

2016.10.6 - WCYB.pdf

- "Public hearing positive for hospital merger even after FTC opposition"
  http://www.wcyb.com/top-stories/public-hearing-positive-for-hospital-merger-
  even-after-ftc-opposition/107981009

B. Bristol Herald Courier

2015.4.2 - Bristol Herald Courier (3).pdf

- “Wellmont, MSHA launch Better Together website ahead of afternoon press
  conference” http://www.heraldcourier.com/news/wellmont-msha-launch-better-
  together-website-ahead-of-afternoon-press/article_0d07a512-d951-11e4-98b2-
  db10e5be1aa6.html

2016.1.7 - Bristol Herald Courier.pdf

- “Wellmont, MSHA set to seek state approval for merger”
  approval-for-merger/article_f5e9fc09-f67a-55b7-b882-47814a4a1e73.html

C. WJHL

2015.12.29 - WJHL.pdf

- “Despite delays hospital merger still on track for fall 2016”
  http://wjhl.com/2015/12/29/despite-delays-hospital-merger-still-on-track-for-fall-
  2016/

2016.3.8 - WJHL.pdf

- “Proposed hospital merger still on schedule to close in August”
  http://wjhl.com/2016/03/08/proposed-hospital-merger-still-on-schedule-to-close-
  in-august/

2016.9.15 - WJHL.pdf

- "MSHA, Wellmont merger application ruled complete in Tennessee"
  http://wjhl.com/2016/09/15/msha-wellmont-merger-application-ruled-complete-
  in-tennessee/
2016.9.21 - WJHL.pdf

- "Southwest VA Health Authority to hold listening sessions on MSHA, Wellmont approved cooperative agreement" http://wjhl.com/2016/09/21/southwest-va-health-authority-to-hold-listening-sessions-on-msha-wellmont-approved-cooperative-agreement/

2016.10.27 - WJHL.pdf


2016.10.28 - WJHL.pdf


D. Kingsport Times-News


- “Video: Wellmont’s assets need to stay under local control, panel says” http://www.timesnews.net/News/2014/08/18/VIDEO-Wellmont-s-assets-need-to-stay-under-local-control-panel-says.html

**Known Coverage: Copy/link not available**


- January 13, 2014 approximately, “Broadcast about announcement of strategic options assessment,” WJHL, WCYB, WKPT, WTFM, WFGH, and WJCW

- February 14, 2014, “Wellmont lines up consultant to explore options,” Kingsport Times-News

- June 17, 2014 approximately, “Status report on strategic options analysis,” WKPT, WJCW, WFM, WJHL and Johnson City Press

- July 20, 2014, “Levine: MSHA will respond to potential Wellmont merger,” Johnson City Press

- August 4, 2014 approximately, Wellmont’s board of directors reduced list of potential partners from six to three, The Deal, WJHL, WKPT, WFM, Kingsport Times-News, and Bristol Herald Courier

- August 11, 2014 approximately, “Launch of forwardwithvision.org,” WFM

• August 14, 2014, “Prominent businessmen push to keep Wellmont locally owner,” *WJHL*

• August 14, 2014, “MSHA CEO: Health care system not for sale,” *WJHL*

• August 17, 2014 approximately, “Who could be Wellmont’s future partner?” *Johnson City Press*

• August 19, 2014 approximately, “Community forum at Kingsport Center for Higher Ed,” *WKPT, WJHL, and Johnson City Press*

• August 19, 2014 approximately, “Open letter from MSHA in opposition to merger with organization outside the region,” *Johnson City Press, WJHL, and WKPT*

• August 22, 2014, “ETSU President Noland: Keep health care local,” *Johnson City Press*

• August 25, 2014 approximately, “JCP seeking letters to the editor about a merger between Wellmont and Mountain States,” *Johnson City Press*

• August 25, 2014 approximately, “Washington County Economic Development Council voted to draft a resolution to keep health care locally managed,” *Johnson City Press*

• August 27, 2014, “Knoxville-based Covenant Health has ‘strong interest’ in Wellmont partnership,” *WJHL*

• September 5, 2014, “Johnson City Commission signs resolution supporting local control of healthcare,” *WJHL*

• September 16, 2014 approximately, “Denny DeNarvaez resignation as Wellmont CEO,” *WKPT* and *WJHL*

• September 24, 2014, “ETSU president shoots down Wellmont claim that university won’t be negatively impacted by merger,” *WJHL*

• September 24, 2014, “Tri-Cities leaders call for more transparency in Wellmont merger,” *WJHL*

• September 30, 2014, “Wellmont asked former Virginia Attorney General to tak ‘independent look’ in recent months,” *WJHL*

• September 30, 2014 approximately, “Eastman Chemical Company respects Wellmont’s approach to strategic process,” *WJHL*

• October 1, 2014, “MSHA’s CEO sounds off on need for regional health systems to maintain local control,” *WJHL*

• October 7, 2014 approximately, “Lt. Gov. Ron Ramsey says Wellmont’s alignment could help Northeast TN and ETSU and MSHA have compelling arguments for Wellmont-MSHA merger,” *WJHL*

• October 7, 2014 approximately, “Alan Levine advocates for local control,” *WJHL*
October 7, 2014 approximately, “Wellmont meeting with mayor of Washington County, Tennessee,” WJHL

October 13, 2014 approximately, “Hiring of Eric Deaton as Wellmont CEO,” WJHL

October 17, 2014, “Former Wellmont CEO addresses ‘witch hunt,’ resignation and future,” WJHL

October 17, 2014, “Wellmont not releasing names of merger finalists, urging community to keep an open mind,” WJHL

October 20, 2014 approximately, “Media briefing by Wellmont chairman, vice chairwoman, and member of strategic options committee,” Bristol Herald Courier and Johnson City Press

October 20, 2014 approximately, “Email where Dr. John Byers criticizes Wellmont board for recent selection of CEOs and Washington County mayor desires meeting with Wellmont,” WJHL

October 27, 2014 approximately, “Alan Levine speech to the Johnson City Rotary Club,” WJHL and WCYB

November 3, 2014 approximately, “Chamber of Commerce for Johnson City, Jonesborough, and Washington County endorse Wellmont-MSHA merger,” WJHL, WCYB, and WKPT

November 10, 2014 approximately, “Wellmont reduces number of potential partners to 2,” Kingsport Times-News and WJHL

November 10, 2014, “Wellmont: Merger partner search narrowed down to two health systems,” WJHL

November 24, 2014 approximately, “Letter from VA legislators wanting to end the nondisclosure agreement between MSHA and Wellmont,” WJHL


December 16, 2014 approximately, “Strategic options process likely to extend into 2015,” Kingsport Times-News

March 25, 2015 approximately, “Wellmont making progress in strategic options process,” WJHL


April 1, 2015 approximately, “Internal messages by Wellmont and MSHA announcing merger,” WCY, WJHL, and WKPT

April 1, 2015 approximately, “Interview with Bart Hove and Alan Levine and report on media briefing at MeadowView Conference Resort and Convention Center,” WJHL

May 11, 2015 approximately, “Print summary,” WKPT

November 2, 2015 approximately, “Report on Southwest Virginia Chamber Forum,” WCYB
- January 1, 2016 approximately, “Status update on the merger,” *Kingsport Times-News*
- April 13, 2016 approximately, “General merger coverage (2 stories),” *WJHL*
- April 20, 2016 approximately, “General merger coverage,” *WJHL*
- April 20, 2016 approximately, “General merger coverage,” *WKPT*
Wellmont Selects National Consulting Firm To Help Explore Strategic Options For Health System’s Future

February 13, 2014
Wellmont Health System has selected a nationally respected healthcare consulting firm to help the organization explore strategic options for its future.

Kaufman, Hall & Associates Inc. worked with Wellmont’s board of directors and management in 2013 to conduct an initial assessment, culminating in a public announcement in January that the health system was evaluating opportunities. Now, Wellmont and the company will take that examination to the next level.

Buddy Scott, Wellmont’s board chairman, said Kaufman Hall is an excellent company to guide the health system through this process.

“Kaufman Hall is one of the few firms in the country with the specific expertise needed to advise Wellmont in this exploration,” Scott said. “The company brings a breadth and depth of experience working with other health systems along with a working knowledge of the healthcare industry that will position us well to identify our best options and evaluate them carefully.”

A 29-year-old company based in Skokie, Ill., Kaufman Hall provides a full range of strategic and financial consulting services for health care.

“We help health systems view their current situations, processes and opportunities in a different light – and from a newly informed perspective,” said Ryan Gish, one of the company’s managing directors. “Our goal is to contribute our intellectual capital and insights to help strengthen our clients’ internal capabilities.”

Kaufman Hall has worked with clients in every state and been involved in some of the most significant healthcare collaborations that have emerged in recent years.

The firm began to see a challenging era for health care with the onset of the great recession about six years ago. These challenges have been multiplied by the Affordable Care Act, the federal sequestration and the failure to expand Medicaid in certain states.

Kaufman Hall’s leaders say the success of any health system today will be measured by its ability to find resources and alignment needed to adapt to lower traditional inpatient volumes, emerging care models, new payment methodologies and the essentials of greater efficiency.

“Wellmont has been very proactive in looking at its strategic options,” Gish said. “Consequently, it is still in the early stages of the process.

“We believe this work should actually be a very important reality for all health systems now. Healthcare organizations should identify their options based on their unique culture, marketplace and financial conditions and projections. Now that we have performed that work with Wellmont, the health system’s leadership has drawn a very important conclusion to move forward. We look forward to our continued work to assess Wellmont’s options for the future.”

Wellmont reinforced it has established a set of principles to guide the assessment. They are:
• A strong commitment to Wellmont’s mission, vision, values and operating philosophy
• Significant financial strength to advance medical, technological and organizational innovation and to develop new care models for the good of the patients and communities it serves
• A contribution to long-term economic development, the advancement of healthcare services and employment opportunities in the region
• A strong vision for the importance of philanthropy, good stewardship of donated funds and community benefit
• Optimization of information and medical technology systems
• A robust physician network and physician recruitment capacity and commitment to physician leadership
• An extensive knowledge and resource base to optimize operational, financial, clinical and purchasing systems

Since its announcement in January, Wellmont has reiterated it has no forgone conclusions and is on its own timetable.

“As we discussed then, our current financial position is stable and we continue to do a great deal of work to position ourselves for success,” said Denny DeNarvaez, president and CEO. “Our goals are forward-looking and connected to our vision to deliver the best health care anywhere. As we prepare for the future, we believe looking outside Wellmont for new resources and tools will position us much better to face some very strong headwinds of change.

“We want to be able to make investments in physicians, technology and care models that will continue to keep Wellmont at the forefront of care delivery. The communities we serve deserve nothing less.”
Dear valued community members,

It has been several months since our announcement that Wellmont Health System is actively pursuing options for alignment with another health system. I want to provide an update on our progress.

As you may know, we selected Kaufmann Hall to work with the board and strategic options committee to guide this process. Prior to the announcement, a great deal of work had been done to assess Wellmont’s direction for the future. It was determined by the board that moving forward now would create the best options for Wellmont and the communities we serve.

Kaufmann Hall has worked with the board and management to effectively describe Wellmont’s strengths and our service to this region. This work, in and of itself, has been incredibly affirming of our accomplishments and the talent and commitment of our co-workers and physicians. The pace of change Wellmont co-workers are managing in the midst of a record Epic implementation is a testament to our organizational culture and commitment to delivering superior health care with compassion.

Bear in mind, we are confidently pursuing options from a position of clinical strength and relative financial stability, grounded in a set of guiding principles. The time we took to carefully evaluate the guiding principles for this exploration will serve Wellmont well.

The process of assessment will be underway in the coming months. We anticipate several potentially viable options will emerge, and the ultimate decisions reside with the Wellmont Health System board of directors. You can have confidence that the board’s wisdom and commitment to our communities will ensure a deliberate, unhurried and thoughtful process.

Wellmont’s board understands their role as stewards of a vital community trust. They understand our only stakeholders are the people we serve across the region. Their commitment is to safeguard the future of health care in our region for present and coming generations. They are leaders of the highest integrity who will consider any and all options from every possible angle. And knowing them personally, they are people of faith who will seek direction through prayer.

No formal decisions have been made and the due diligence work we are doing now is bound by confidentiality agreements. Any speculation or information you hear that conveys any definitive decisions have been made is simply not true. I commit that as soon as any definitive agreements are reached, we will communicate quickly and clearly.

Until then, there is much work to be done by Wellmont’s management and board. There will likely be many approaches to consider. But the most important work to be done happens every day in our hospitals, clinics and supporting offices. Our focus on the patient experience is more intensive than ever.

Sincerely,

Denny
Letter from the CEO and Board Chair

June 11, 2014

Dear Friends of Wellmont,

We are pleased to introduce Wellmont’s Fiscal 2013 Report to our Communities. As we reflect on a year of accomplishment, we also look to the future and are pleased to share an update on Wellmont’s strategic options process – Forward with Vision.

Since our last update, Wellmont has issued requests for proposals from organizations interested in strategic alignment. Our leaders have set aside considerable time to meet with health systems that wanted to learn more about Wellmont. The result: Wellmont has received substantial interest and a number of proposals from a variety of sophisticated health systems. Based on inquiries, the health system issued 22 requests for proposals and received nine proposals from other health systems with initial interest. Thus far, three have been eliminated based on their lack of clear connection to our guiding principles.

This great interest is affirmation of our collective success. Our co-workers, physicians and leaders are to be commended for excellent work in service to our patients – which is the greatest testament to Wellmont’s strong reputation. We have been commended for our low cost of care, clinical quality, our approaches to new payment models and more. This is evidenced through Wellmont Integrated Network – our accountable care organization- and through other pay-for-performance arrangements with insurance companies.

Now that we have received proposals, our consultants will guide the management team and board of directors through the lengthy process of evaluating each one based on its merits and narrowing the field according to our guiding principles. This takes considerable time and effort given the substance of these proposals and the importance of the task. Because of the confidentiality required at this stage, we are not at liberty to share the names of those who have expressed interest. But we are encouraged that they represent strong possibilities for the future of healthcare in our region.

In regard to the timeline, we are approximately halfway through the exploration process. We expect several more months of research and discussion are needed before our board will determine final recommendations this fall. In the meantime, we appreciate your patience. Please see the Forward with Vision milestones graphic that describes our timeline moving forward in more detail.

While we look to this process to define the next stages in our future success, the work of our caregivers with patients defines the most important aspect of our success every single day. You will learn more about these successes in the report.

Given that there is much interest in this work, our commitment is to inform you at other key stages of the process and to let you know as soon as any alignment decision has been made. If you have questions, please contact us to receive news and updates. We always welcome your input and questions.

And thank you again for reviewing our community benefit report.

Sincerely,

Denny DeNarvaez
President & CEO
Impressive new chairman leads the way for Wellmont

July 22, 2014

Wellmont Health System is fortunate to have an outstanding group of physicians and other medical professionals who work collaboratively with the rest of our co-workers to deliver superior health care with compassion.

What many people might not always see is the integral role our volunteer board members play in helping put Wellmont on the path to deliver the best health care anywhere. They work tirelessly behind the scenes to ensure our health system has the most appropriate structure and capable leaders in place to ensure our patients have the best care experience possible.

As we begin a new fiscal year, we have new members joining our boards and new chairmen to lead these bodies. Wellmont is fortunate to have a seamless transition from one outstanding chairman of the Wellmont board, Buddy Scott, to another, Roger Leonard.

Buddy performed admirably during an unprecedented era of changes in health care and exhibited extraordinary leadership as we began our strategic options analysis. He set a high bar, but the exciting news is we will not skip a beat now that Roger has assumed the chairmanship.

Roger has a solid grasp of our health system’s strengths and opportunities through his five years of service on the board. He is also an impressive community and business leader with a deep understanding of this region’s needs and capabilities. He has worthwhile goals of bringing Wellmont closer together as one unit and rural and economically disadvantaged groups to receive the care they need.

I work closely with the chairman of our board and rely on that person’s guidance and wisdom to ensure we pursue the right course for our health system. It will be a pleasure to team with Roger as we partner to further advance the quality of care Wellmont delivers. He has the best interests of our health system and the patients we are privileged to serve firmly in mind.

But Roger does not have to handle this task alone because he has a remarkable group of men and women by his side to help chart our organization’s direction. These other board members are leaders of substance who are deeply rooted in the region and committed to its continued success and economic vitality. It’s not often a board has three former chairmen who remain on the board to share their extensive knowledge and help the organization achieve continued progress.

It would be easy for people to choose not to serve on a health system board when the federal government is reducing reimbursements and states are not expanding Medicaid. But the members of our board have stepped to the plate, looked at these potential obstacles and found steppingstones to a future of promise. They have demonstrated such resolve at all times, and I greatly appreciate the opportunity to work collaboratively with these community servants.

In looking at our current strategic options process, I can unequivocally say I admire our board members for demonstrating the strength to recognize alignment with another organization might be the proper course for our health system. It shows a focus on creating the optimal environment for Wellmont to grow and continue meeting our mission, vision and values.

As you read this inaugural edition of the Forward With Vision newsletter and the valuable information it imparts, you will have an opportunity to read more about Roger Leonard and his perspective on our health system. You will likely come away inspired by his love for Wellmont and his desire to take our organization to the next level of excellence. I know I was.
Denny DeNarvaez
President and CEO
Wellmont Health System
“We are not ruling out any options and will consider all viable possibilities”

July 27, 2014
The following op-ed piece was submitted to local newspapers by Roger Leonard, Wellmont Health System’s new board of directors chairman.

In January, Wellmont Health System announced it was exploring whether alignment with another health care organization would better support our mission to provide superior health care with compassion. That announcement resulted from a strategic review begun over one year ago in which we analyzed the impact of government payment cuts and other trends. Our board of directors decided that, under the right circumstances, alignment with another health system would be long term in the best interest of the citizens in our region. So far, we have dedicated a full year and a half to this decision-making process.

Our board is not ruling out any options and will consider all viable possibilities, including potential regional solutions.

Thanks to our dedicated team of health care professionals and employees, Wellmont is the low-cost, high-quality provider in our region. We have a strong balance sheet, despite being the smallest regional system in terms of revenues and beds. Since we are already the low-cost provider in the region, the cost reductions necessary to remain independent could adversely affect the patient experience, safety and outcomes. We will simply not permit any scenario that weakens those qualities.

The board believes that, under the right arrangement, the best option would be for our system to align with another health system to leverage their scale, expertise, and capacity so we can direct resources into clinical functions that further enhance patient care and population health. Negotiating the right balance between local control and access to long-term financial and human resources as well as technological advances and best clinical practices is a key focus of our process. We can only remain an island unto ourselves for so long. Affiliation with another health system provides us an opportunity to tap into a much deeper pool of clinical expertise, physician recruitment and financial capital to take health care in our region to the next level. Further, at this time we are able to negotiate an alignment from a position of strength that will ultimately benefit our stakeholders and our region.

Without a proactive approach, our options become more limited over time. The longer we wait, the more jeopardy our financially challenged facilities and services face. This is particularly true for our rural hospitals. The Wellmont board is comprised of many people who live, have lived or made their living working in the rural communities of Southwest Virginia and Northeast Tennessee. We are, therefore, committed to finding a sustainable health care delivery model for our family, friends and neighbors in our rural communities. It is imperative that we continue to provide convenient access for the citizens living in our rural communities.

The financial headwinds we face will increase our exposure to reimbursement cuts from government and big insurance companies and will leave us facing unpalatable service reductions. Though it has understandable emotional appeal, the go-it-alone strategy is clearly the least favorable option for patient care in the long term. Going it alone risks being left behind.

At this point, we are only halfway through our evaluation process with much more work to be done. We have not ruled out any option, including remaining independent or partnering with another regional healthcare provider, but we cannot soft-pedal the difficult challenges the health care industry faces in the future. We certainly understand there are questions that need to be addressed, and we appreciate the patience and engagement of our communities. We are in the process of reaching out to many community stakeholders to share with them what we have learned over the past year and seek their input as we continue the process of evaluating which strategic option is in the best interest of health care in our
region. Ultimately, we will select the option that provides us with the necessary long-term financial capacity and enhanced clinical expertise. This will empower us to advance medical, technological and organizational innovation in order to develop new care models that further improve patient care and community health. Those we serve deserve nothing less.
Update on our strategic options from Wellmont’s chairman

July 30, 2014
Dear Wellmont friends,

I am excited to share an update about where we are in charting the right path for Wellmont’s future. The Wellmont Board of Directors met at length last night and made the decision to narrow the list of six potential health system partners to three, including a regional system and two significant health systems beyond our area, all of which are not-for-profit organizations.

This is another important step in a deliberate process set in motion by our board more than a year ago. But there is still much work to do. The selection of a potential partner which can meet our high standards and discerning partnership criteria is not expected until this fall, at the earliest.

As we enter this next phase of our process, the Wellmont board will be conducting three key initiatives:

1. We will be actively seeking a dialogue with our communities, physicians and employees through a variety of ways – through conversations, group meetings, a dedicated website and more. You’ll be hearing more about that soon.
2. We will be learning more about the organizations that remain – what kind of partner they would be, what our alignment would look like more specifically, what we can do better together that we cannot do apart and more.
3. At the same time, these potential partners will be learning more about us.

We will also be sharing in greater detail the work of the board over the last year – what are the questions we are asking, what have we learned about the future of healthcare, what are the options we’ve explored, what have we ruled out and why, and what is the future we want to ultimately achieve. You can expect to hear a lot more from us, and we will also hope to hear from you.

As we have shared, this decision follows substantial investment of time and resources by our Board to make the right decision. For more than a year, these leaders, who live in and represent the various communities we serve, have invested hundreds of volunteer hours to understand what the future of healthcare demands and to explore every possible path that will allow us to thrive. All of our work is to make sure Wellmont is well-positioned to fulfill our mission of delivering superior healthcare for generations to come, which we clearly cannot do as effectively alone.

That work has only reaffirmed our belief that now is the time for us to find the right partner for our future – today, while we are clinically strong and financially stable. The signals for the future are clear, and now is the time to evolve to meet the challenges before us. It would be irresponsible to do otherwise, and those we serve deserve nothing less.

We are looking forward to sharing more with you soon.

Sincerely,

Roger Leonard
Chairman, Wellmont Health System Board of Directors
Wellmont Issues Statement About Community Forum

August 18, 2014

KINGSPORT – Wellmont Health System’s board of directors, which has deep roots in this region and cares greatly about its well-being, takes its responsibility seriously. The work we’ve performed over the last year and the in-depth analysis to come is to make sure we choose the best path for our patients and our region.

We all share the same goal: We want a thriving health system that has everything it needs to be successful – not just today but for generations to come. The options before us are extraordinary, and we couldn’t be more excited about Wellmont’s future and its positive impact on our region.

We are still in a process of listening and learning, and we have reached no conclusions. While Monday’s forum was not our event, we felt it was important to be there to listen and learn. Representatives of Wellmont attended and our board will study the information. We did not want to risk an atmosphere of debate at the meeting, which is why our board and management team were not in attendance. Because we have not drawn conclusions, we do not have a position to debate at this stage of the process.

We have upcoming meetings planned throughout our communities and our system and welcome the community to join us. For those who are interested in joining us for one of those meetings, getting the latest information or submitting thoughts or questions, we encourage you to visit www.forwardwithvision.org.
Wellmont Launches New Website As Part Of Next Phase Of Partnership Exploration Process

August 7, 2014

KINGSPORT – Wellmont Health System is launching a new website specifically dedicated to its partnership exploration process.

The website, www.forwardwithvision.org, is one of a series of initiatives by the health system to provide information and receive ideas or questions about the search.

The Wellmont board of directors recently narrowed the list of potential partners it was considering from six to three and said it was entering a phase of community dialogue and due diligence.

In this next phase, the Wellmont board will conduct three key initiatives:

1. Actively seek a dialogue with physicians, employees and the communities Wellmont serves through a variety of ways – through conversations, group meetings, a dedicated website and more.
2. Learn more about the organizations that remain, such as what kind of partner they would be, what an alignment would look like more specifically and what can be accomplished together.
3. Provide these potential partners an opportunity to learn more about Wellmont.

“Wellmont is a mission-driven organization that takes pride in providing clinically superior, personal care to our friends and neighbors whom we serve,” said Roger Leonard, board chairman. “As we go through this transformative time in the life of our organization and make decisions for the future, it’s important to hear from our employees, physicians and community about what’s most important to them.”

The website will be one of a variety of tools used in this next phase. It details why Wellmont is exploring partnership options and how national changes in healthcare are impacting the Tri-Cities region. It also explains the board’s vision for the future and thorough decision-making process, answers frequently asked questions, offers a “Rank our Guiding Principles” interactive tool and provides a “fact check” page where questions and rumors can be submitted and addressed.

In addition, the website will be regularly updated with the latest news about the board’s process, and people will have the opportunity to sign up to receive a weekly email newsletter.
Dear Wellmont Friends,

Over the last few days, it’s likely you’ve heard a more public discussion about the future of Wellmont and our board’s search to determine the right, best path for our health system and the patients and families we serve.

It’s good to see a healthy discussion about this serious and important subject. You’ll recall it was just two weeks ago that we announced the latest phase in our work and wanted to hear from the community.

Since then we’ve launched a website to educate and invite discussion – more than a thousand folks have already visited forwardwithvision.org – and we have met one-on-one and in small groups with dozens of community members. We’re getting together with physicians, nurses and staff throughout the system next week and following, as well.

In all our discussions, I’ve been encouraged to find a common desire to ensure Wellmont is positioned to thrive in its service to our community for generations to come.

No doubt, you’ve also heard of some community members who are hosting a public forum next week to talk about the future of Wellmont. We welcome all reasonable discussions on this critical topic.

Unfortunately, some members of this group have labeled the discussion as an effort to “save” our hospitals. As a board member, a long-time resident and as someone who has been personally impacted by the great care our hospitals provide, I can tell you that our hospitals do not need “saving.”

Instead, because of the exceptional care that you provide, because of the high quality service that you offer, Wellmont is positioned to have a vibrant, prosperous future. The opportunities before us are tremendous. To suggest otherwise is disrespectful to our physicians and employees and the superior care you provide every day. It shows a lack of true understanding of who we are, how healthcare is changing and what we hope to achieve through our process to plan for the future.

It’s disappointing to see some in the community conclude the best direction for Wellmont without understanding the options, the challenges and the opportunities before us. Our future is bright. Our job as a board – the work we’ve been doing over the last year and the hard work to come – is to make sure we choose not the convenient path, but the best one for our patients and our region.

I’m excited about the dialogue we’re having and the opportunity to explore this. I and members of the board look forward to talking with you soon about it.

I did not want the rhetoric of a few to go unaddressed, especially when it impacts thousands of our own employees and physicians. I hope you’ll join us for the town halls taking place across the system over the coming weeks for all employees and physicians. You are truly the fabric of our organization, and your opinion is incredibly important to us. I hope you’ll also continue to share your questions and thoughts on our new website: forwardwithvision.org.

I’m honored to be a part of this great organization, and I hope you are, too. I’m in awe of the truly life-changing work you do, day-in and day-out. I’m confident that the future we are working toward will allow us to be even stronger than we are today.

Sincerely,
Roger Leonard
Chairman, Wellmont Health System Board of Directors
Dear Wellmont community:

I write to you today with some important news about our CEO, Denny DeNarvaez.

After four years of strong leadership for our organization, Denny has decided the time is right for her to leave her role as CEO of Wellmont Health System.

Clearly, we are experiencing a period of great transformation here at Wellmont as the board continues its process to explore the right and best path to ensure a future that allows us to thrive for generations to come. It is not unusual during these times of transition that there be a change in leadership.

We thank Denny for her contributions to Wellmont during the most pivotal time ever experienced in the health care industry. Under her leadership, Wellmont has accomplished many important strategic objectives, such as establishing Wellmont Medical Associates, the Wellmont CVA Heart Institute and the Wellmont Cancer Institute as market leaders; introducing the Wellmont LiveWell initiative to improve community health and wellness; expanding Wellmont’s regional access through new physician offices, testing centers and urgent care centers; implementing the Epic electronic health record with record pace and best-practice execution; and adopting the Healing Environment, which advances the patient- and family-centered focus of our care delivery.

She has also established a strong executive leadership team, which remains to capably assist with this transition. We wish her well in her future endeavors.

I want to share this comment from Denny about her decision:

“I am so proud of all that we have accomplished here at Wellmont during my time as CEO. Every day, our physicians and nurses and co-workers serve tirelessly to bring comfort and healing to patients and their families across the region during the most vulnerable of times. I thank everyone for welcoming me into the Wellmont family for the past four years, and I hope you will understand my need to transition at this time.”

During this time of transition, the board and Wellmont’s executive leadership team will work together until an interim CEO is identified.

The focus of our board continues to be the work of determining the right strategic direction for Wellmont, and we are encouraged by the options before us. We thank each of you for the role you play in serving this community and putting us in position for a strong future.

Sincerely,
Roger Leonard
I am pleased to announce Bart Hove, who served with Wellmont Health System for 12 years, will assume the role of interim president and CEO. Bart will be on site this week to assist with the transition and assume his post.

It was important to the board to identify a leader of Bart’s caliber who also knows and is committed to our health system. As one of our system’s longest-tenured executives, Bart brings familiarity with both Wellmont and our community during a pivotal time.

Please join me in welcoming Bart and take the opportunity to read his message below.

Dear Wellmont community,

It was difficult to leave Wellmont a little more than a year ago. Coming home is easy. During the past year, I have shared important time with my family and have come to terms with the health issues that caused me to seek early retirement. Those issues have proven to be manageable and completely in check. So I assume this new role with energy and enthusiasm.

Wellmont’s pursuit of strategic options for the future has been of great interest to me, and I commend the board’s vision and proactivity in seeking the right partner. Even as Wellmont stands at a crossroads, we have much to celebrate. The hard work and dedication of our leaders, physicians, co-workers and medical professionals continue to position Wellmont with stability and clinical excellence. Our collective ability to stay focused and prioritize our service to patients and their families is noteworthy.

Coming back to Wellmont reminds me again of the high calling we all share in health care. In the midst of dramatic change nationally and important change for Wellmont, much is certain. We come to work every day reminded of our legacy in the community, reminded of our call to serve during the most vulnerable times in people’s lives and reminded of our mission to provide superior health care with compassion.

It is an honor for me to serve with each of you to advance this mission. During the coming days and weeks, I look forward to meeting many of you for the first time and to renewing longtime relationships. And I look forward to working with our board and leadership team as we continue on our journey toward an even brighter future for Wellmont.

Sincerely,

Bart
Interim President and CEO

Hove
September 26, 2014

Ms. Joy Madison  
President & CEO  
Bristol Tennessee Virginia Chamber of Commerce  
20 Volunteer Parkway  
Bristol, Tennessee 37620

Mr. Miles Burdine  
President & CEO  
Kingsport Chamber of Commerce  
400 Clinchfield Street, Suite 100  
Kingsport, Tennessee 37660

Mr. Gary Mabrey  
President & CEO  
The Chamber of Commerce  
Serving Johnson City, Jonesborough, and Washington County  
603 East Market Street  
Johnson City, Tennessee 37601

Dear Ms. Madison, Mr. Burdine and Mr. Mabrey:

Thank you very much for your letter. As Wellmont Health System pursues strategic options for the future, be assured our region will continue to enjoy the highest-quality health care offered by Wellmont’s great physicians, nurses and staff. This is incredibly important to everyone in our community.

I appreciate your thoughtful questions and welcome the opportunity to give you Wellmont’s perspective. It is also my hope this will be an ongoing conversation, as we are in the midst of a process with many more important milestones to come. The work of determining the best path forward for Wellmont began more than a year ago as our board invested themselves in understanding the revolution sweeping over the health care industry and how it will assuredly impact every person in our community.

It is clear our choice is to act on behalf of Wellmont and our patients, or wait to be acted upon by outside pressures and a multitude of new competitive forces. As a leader in this region for generations, our board has chosen to chart our own future to ensure Wellmont’s mission not only endures but thrives.

Since the earliest steps of our work, we began asking the very questions you have asked in your letter. In fact, you won’t be surprised to learn your questions reflect many of the conversations we’ve had – and will continue to have – within our board, with our community members and with business and elected leaders, employees, physicians, neighbors and friends.
In a sense, our work today is to answer those questions in a way that protects and advances Wellmont, the care we offer, our great physicians and nurses and our place as a community leader and economic engine. Like you, we recognize our decision about the future of Wellmont is more than a decision about our excellent clinical care, though that remains foremost in our minds. This is also a decision that impacts jobs, the cost of care, our valued community partnerships and many other factors.

This is a complex decision. As business leaders, you are uniquely positioned to understand the multiple and sometimes competing factors we must consider. Many members of our board of directors are also respected business leaders, and they bring the wisdom and experience that come from making tough decisions. Our board is approaching this process much the same way other business leaders in our community would.

The board is engaging in countless hours of research, talking with other similar organizations that understand the unique challenges we face and seeking counsel from industry experts that can provide an unbiased, objective perspective. It is a lengthy, thorough process to make the best decision for Wellmont and those we serve.

That careful due diligence is still in process, so we do not have specific responses to all the questions your letter posed. However, one thing is clear: You asked if remaining “as is” is an option. In a word, no.

Wellmont can no more maintain the status quo than any other business that is determined to thrive in a changing marketplace. In fact, standing still is an option for no one in health care today.

There are a wide variety of reasons for this, but the need for change can easily be seen by looking at the situation from an economic development perspective. We all need to consider the ingredients that will be required for our region to be attractive to companies that are considering locating or expanding their services here:

- High quality, low cost and convenient access are consistently touted by companies as important elements.
- Businesses, insurers and the government are seeking outcomes-based approaches and population health management techniques as important mechanisms to reduce health care cost.

Over time, these strategies will consistently lower utilization rates and along with many other factors will transform the delivery of health care in our country.

These pursuits are noble in the merits they represent for improving the overall health status of our region – and making it more attractive to employers. But expertise in these realms is hard won by systems where resources are extremely constrained. Moreover, the test environment for these new strategies requires the assumption of significant financial risk. Again, it is difficult for smaller organizations to absorb this risk and still make the annual capital and operational investments needed to succeed in the current payment and delivery model.

The reinvention of health care requires tens of millions of dollars in investment along with intellectual capital and infrastructure that will only be available to the systems that are strongest financially and can spread those costs over a larger organization.

In the face of immense headwinds of change and financial pressure, the question, then, is how to change in a way that advances our mission and our region. A critical part of the answer for many sophisticated systems is found in partnership. Some 87 percent of hospitals surveyed across the country are evaluating an “alignment” with another partner as they prepare for the future.
Having said that, we also know that Wellmont must achieve new operational improvements now, and we embrace that work. To that end, Wellmont has been able to achieve $60 million in additional efficiency in the last three years alone. This has allowed Wellmont to maintain our position as the low-cost provider within a broad region (American Hospital Directory). This is our commitment for the future – to continue bringing an important value proposition to the families and business in our region by offering high-quality care, with strong access, at the lowest possible cost.

Hospitals and health systems around the country are engaged in processes similar to Wellmont’s because they realize the health care industry is changing dramatically and partnering with like-minded organizations brings enhanced resources, expertise and scale:

- “Studies point to real benefits from hospital realignment – enhanced access, higher value and greater efficiency.” The Center for Healthcare Economics & Policy, “Hospital Realignment: Mergers offer significant patient and community benefits,” January 23, 2014
- “Through a merger, hospitals can gain the economies of scale necessary to reduce costs and waste…and spread costs over a larger base. These improvements allow hospitals to provide greater value to patients, which is critical in the new era of value-based purchasing.” Hospitals & Health Networks, “The pro-competitive benefits of hospital mergers,” September 25, 2012
- “Thanks to cataclysmic changes in the delivery of health care, hospital mergers now offer the potential for higher quality and more efficiency. Individual fee-for-service health care is transforming to population health management.” The Wall Street Journal, “Hospital mergers can lower costs and improve medical care,” September 16, 2014

In addition to achieving new capabilities to thrive under bundled payments, population health management and other payment reforms, merging with a like-minded organization will bring Wellmont the scale necessary to accomplish a variety of things. These improvements include:

- Investments in our staff
- Significant facility improvements
- Implementation of cutting-edge technology
- Preservation of more jobs and high-level services

In fact, the achievement of correct scale can result in immediate magnitudes of financial improvement through supply cost savings, back office savings and cost of capital alone. For Wellmont, these magnitudes alone could reverse much of the deterioration seen in our financials over the past several years and significantly mitigate threats to the erosion of jobs and services. This will have a positive impact on the economic potential of our organization and the communities we serve.

Our choice is simply this: We can chart our own course for the future or we can let events and financial pressures dictate the future of our system. Remaining independent would require drastic steps just for Wellmont to survive, like erosion of services for our communities, job losses and more.

Realistically, we can only thrive in partnership with another organization that shares our mission and vision for the future. Fortunately, because of the great work of our physicians, nurses and staff, we have the financial strength to achieve the right partnership under our own terms.

Wellmont is in a great position to find a potential partner because we’ve worked hard to protect our clinical strength and financial stability. But it’s clear that we won’t be able to maintain this strong position forever. That’s why our board has established an important series of “guiding principles,” or standards, to
help to determine what partner might be best for Wellmont and those we serve. Any potential partner must:

- Be fully committed to our mission and our values
- Be a provider of exceptional clinical care
- Have the financial strength to invest in Wellmont’s people, its medical equipment, technology and facilities
- Have the experience and expertise to develop new ways of offering care so we can help people when they are sick, but also help them to stay well at home
- Be committed to a robust physician network and committed to physician leadership today and tomorrow
- Be a good employer and committed to the growth of our system and investing in our region
- Be a good citizen and have a strong vision for the importance of philanthropy and the stewardship of donated funds

In regard to your question about East Tennessee State University, we strongly value our relationship with ETSU, and we’re committed to ensuring any potential partner honors and strengthens that relationship. We have met with Dr. Noland about this topic and will continue those meetings. We are committed to our strong partnership with ETSU and to ensuring all prospective partners understand what is important to ETSU and extend those commitments. Expanding our already strong relationship with ETSU and our many community partners is a critical factor our board will take into consideration.

Thank you, again, for your organization’s commitment to our community. We look forward to our continued dialogue about this important decision.

Sincerely,

Roger Leonard
Chairman
Strategic Options Process By Wellmont Board Continues To Progress, With Field Narrowed To Two

November 10, 2014

The strategic options evaluation by Wellmont Health System’s board of directors continues to make significant progress, with the field of potential alignment partners being narrowed to two.

Names of the remaining health systems the board is considering cannot be disclosed due to confidentiality agreements signed by both sides early in the process. But Roger Leonard, the board’s chairman, said the contenders are a regional option and an organization outside the region, both of which are aligned with the principles the board adopted to guide its decision-making process.

"With two strong candidates remaining, Wellmont is confident the best option can be attained," Leonard said. "Together with Wellmont’s already strong achievements in clinical excellence, the prevailing partner will further equip our organization to meet the health care needs of the region for generations to come. Our board remains intently focused on the significant work that must occur to ensure we take the right path."

Leonard emphasized the board has not reached a conclusion about a potential partner.

“We’re excited about the possibilities the remaining organizations represent for Wellmont and the patients we serve,” he said. “Over the coming weeks, we’ll continue to evaluate our options and still anticipate making a final decision in December.”

The board recently completed a phase of extensive engagement with Wellmont co-workers, physicians and the community. Leonard said the result of these conversations was an even stronger sense of what is important to those the health system serves. The board is using the input to shape its continuing evaluation and has discussed with the prospective partners what the community values.

Leonard said the board encourages people to continue visiting www.forwardwithvision.org, the website dedicated to the strategic options process, to submit questions, read news and updates and visit the Fact Check page for answers to frequently asked questions and rumors.
Work continues on Wellmont’s strategic options evaluation; process expected to extend into new year

December 11, 2014
KINGSPORT – Meaningful work by Wellmont Health System’s board of directors is enabling the group to fully explore the best path forward for the organization.

Roger Leonard, the board’s chairman, said the panel continues its examination of Wellmont’s options, a process that will likely extend into the new year. With the holiday season in full swing and the need for the board to further review information it has received, a decision about Wellmont’s future is not imminent, he said.

“This is a complex decision, and the significance to our health system and our community cannot be understated,” Leonard said. “With that in the forefront of our minds, we have taken a very deliberate and thoughtful approach to this work in the last year.”

Leonard said the board is still on track with its evaluation. He expressed gratitude for the patience and support of the community and Wellmont’s physicians and co-workers and thanked everyone for the input the board has received.

“I am excited about Wellmont’s future,” Leonard said. “This long-term decision requires us – and every health system nationally – to come to terms with new realities and reinvent the way we conduct business and provide care. That work is essential regardless of our partnership decision. However, I am confident about our ability to tackle these challenges and continue to build something great for our region.

“As we double check and triple check the information before us and further validate our assumptions, we are working intently with Wellmont’s physician leaders in partnership with the administrative team to identify areas for improvement and opportunities for growth.”

Leonard urged people to visit forwardwithvision.org, the website developed for the strategic options process, for further updates. The site also empowers people to visit the Fact Check page for answers to frequently asked questions and rumors.
Wellmont Health System Launches Process To Assess Strategic Options For Future

Wellmont Health System officials have launched a process to evaluate strategic options for the organization's future, including the possibility of aligning with another health system.

The Wellmont board of directors and leadership team will spend this year engaged in an exploratory process with healthcare experts to evaluate how Wellmont needs to evolve to thrive in the future.

"Because of the mandate of our vision - to deliver the best healthcare anywhere - we strongly believe we must act now to ensure Wellmont evolves with the rapidly changing healthcare industry and continues to provide outstanding care for generations to come," said Buddy Scott, chairman of Wellmont's board. "While this is just the beginning of a process and we do not have many specifics today, it is important to be as transparent as possible with all the people who matter to this organization."

The current climate of the healthcare industry has resulted in a complex set of challenges for hospitals and health systems nationwide.

These organizations must be prepared for increasing levels of information management and technological innovations, quality mandates, a growing demand for primary care services and population health management to advance the wellness of large groups of patients and reduce their need for inpatient hospital care. Providers are also struggling with low patient volumes, reimbursement cuts and possible performance penalties under the Patient Protection and Affordable Care Act.

The challenges are multiplied in Northeast Tennessee and Southwest Virginia because of extremely low Medicare payment rates and the high volume of Medicaid and uninsured populations. Add to this the recent decisions in Virginia and Tennessee not to expand Medicaid coverage. For Wellmont, all of these factors have made it necessary to improve its financial position by millions of dollars during the next several years. In fiscal 2012, Wellmont had a community benefit of $94 million, which included $77 million in uncompensated care, as well as free programs and services provided to the community, and cash and in-kind donations to community groups.

Due to these challenges, it is becoming increasingly difficult for healthcare organizations to continue to operate as they have in the past without adapting to the new healthcare landscape. As a result, Wellmont is not alone in pursuing a process such as this. Forward-looking health systems nationally are seeking to fully understand their options. In fact, a recent national survey of healthcare leaders found 75 percent of health systems were already pursuing or were considering aligning their organization with another (HealthLeaders Media).
"As stewards of a valued community resource, our Board of Directors and leadership team know it is our responsibility to preserve and advance healthcare in our region," said Denny DeNarvaez, CEO of Wellmont Health System. "Unlike many health systems, Wellmont is fortunate to be in a position of clinical strength and relative financial stability thanks to the great work of our physicians, co-workers and leadership. The Board and the administration are committed to continue pursuing all internal options to ensure the financial stability of our health system for the future. However, by proactively embarking on this process, we are taking our future into our own hands and creating a stronger health system for the communities we serve."

In consultation with national experts, a special committee of the Board has begun a process to assess strategic options for the organization's future. The guiding principles that will govern this assessment are:

- A strong commitment to Wellmont's mission, vision, values and operating philosophy
- Significant financial strength to advance medical, technological and organizational innovation and to develop new care models for the good of the patients and communities it serves
- A contribution to long-term economic development, the advancement of healthcare services and employment opportunities in our region
- A strong vision for the importance of philanthropy, good stewardship of donated funds and community benefit
- Optimization of information and medical technology systems
- A robust physician network and physician recruitment capacity and commitment to physician leadership
- An extensive knowledge and resource base to optimize operational, financial, clinical and purchasing systems

"As we explore potential paths, we have the best interest of our hospitals, physicians, patients and the communities we serve in mind, and we will continue to share information as it becomes available," DeNarvaez said.

"Wellmont is committed to serving patients across Northeast Tennessee and Southwest Virginia and we are motivated by our mission to deliver superior health care with compassion. This will not change with any future direction we consider," Scott said.

**Ask us a question**

We value your comments, questions and feedback. Please feel free to [ask us a question](#) using our simple online form.
Wellmont Health System, Mountain States Health Alliance Announce Plans to Pursue an Integrated Health System

April 2, 2015

Media Advisory: Wellmont and Mountain States leaders invite members of the media to join us for a media briefing today at 2 p.m. in the Warriors Path Amphitheater in the Executive Conference Center at MeadowView Conference Resort & Convention Center. We invite set up at 1:45 p.m.

New organization would make health care more affordable, redirect resources toward improving health of region

KINGSPORT and JOHNSON CITY, Tenn. – (April 2, 2015) – Download PDF — Wellmont Health System and Mountain States Health Alliance have agreed to exclusively explore the creation of a new, integrated and locally governed health system designed to address the serious health issues affecting the region and to be among the best in the nation in terms of quality, affordability and patient satisfaction.

In a term sheet signed Wednesday, the boards of directors of both organizations agree to explore combining the assets and operations of Wellmont and Mountain States into a new health system. This decision follows more than a year of merger discussions, internal analysis within each system, thoughtful conversations in the community and unanimous votes by both boards to examine this option.

“We are excited about this proposed combination that will bring together the capabilities of both Wellmont and Mountain States, combined with a partnership in academics and with our states, to serve the region and result in unprecedented quality and value,” said Roger Leonard, chair of Wellmont’s board. “We are grateful to the thousands of community and business leaders, physicians, employees and patients who have shared their thoughts throughout this process. It was deliberative and methodical, which led us unanimously to the right conclusion.”

“Our board is enthusiastic about this potential partnership,” said Barbara Allen, chair of the board for Mountain States. “We and the leadership of Wellmont all care deeply about the region we serve. We share a passion for improving our region’s health and our region’s economy. We look forward to working closely with the state of Tennessee and the Commonwealth of Virginia, as well as with our payors, to focus on the real drivers of cost reduction and quality-enhancement.”
A new board will be created, which will have equal representation from Wellmont and Mountain States, as well as two new independent, jointly appointed members. The board will also include a lead independent director who will be a Wellmont board appointee who will work with the board in coordination with the executive chairman. This is a best practice model frequently used by companies who have an executive chairman.

The president of East Tennessee State University will serve as an ex-officio nonvoting member of the board. The involvement of ETSU will focus on expanding opportunities to compete for research investment in our region, as well as enhancing physician and allied health training for the future.

This new board would direct the proposed health system, which would also have a new name. One leadership team, composed of current executives from both organizations, would lead the combined system. The CEOs of both organizations would share leadership responsibilities.

“Northeast Tennessee and Southwest Virginia disproportionately suffer from serious health issues – cardiovascular disease, diabetes, addiction and access to mental health services, to name a few – and they must be addressed,” said Alan Levine, president and CEO of Mountain States, who would become executive chairman and president of the combined system. “The cost of this poor health is not sustainable. By integrating, we can refocus our efforts from being measured based on how many patients we can admit to the hospital and how many ways we can duplicate these efforts, to how we measurably improve the health of our region while eliminating unnecessary costs and making health care more affordable. The people of this region deserve nothing less. We intend to demonstrate the merger’s substantial specific potential in these areas.”

An integration council with executive and physician leaders from both systems will be formed to further develop plans for a combined system during the next several months. Those plans will be in the best interest of clinical quality and the patients served, will demonstrate shared values and will honor commitments to employees and physicians.

“Together, we’ll work alongside our employed and independent physicians to shape the future of health care by modeling effective clinical collaboration, building new community health solutions and becoming a national model for rural health care delivery,” said Bart Hove, president and CEO of Wellmont, who would be CEO of the new system. “As one system, our physicians would share best practices, collaborate to benchmark our outcomes against the nation’s best and develop new high-level services closer to home.”

The systems now enter a due diligence period and will work toward developing a definitive agreement. The definitive agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

In Tennessee, the organizations will pursue approval under the state’s COPA (Certificate of Public Advantage) statute. A COPA authorizes the parties to merge and directs the state to actively supervise the new health system to ensure that it continues to benefit the community by providing health care that is affordable, accessible, cost-efficient and high in quality. In Virginia, the health systems will pursue a process similar to a COPA that is defined by a proposed statute that has been passed by the legislature and awaits the governor’s signature.

During the next phases of due diligence, integration analysis, planning for potential integration and government approval, both Mountain States and Wellmont will continue “business as usual” as two separate and independent organizations.

For more information, please visit becomingbettertogether.org.

About Wellmont Health System

Wellmont Health System is a leading provider of health care services for Northeast Tennessee and Southwest Virginia, delivering top-quality, comprehensive health care, wellness, and long-term care services across the region. Wellmont facilities include Holston Valley Medical Center in Kingsport,
Tenn.; Bristol Regional Medical Center in Bristol, Tenn.; Mountain View Regional Medical Center in Norton, Va.; Lonesome Pine Hospital in Big Stone Gap, Va.; Hawkins County Memorial Hospital in Rogersville, Tenn.; and Hancock County Hospital in Sneedville, Tenn. For more information about Wellmont, please visit wellmont.org.

**About Mountain States Health Alliance**

Since 1998, Mountain States Health Alliance has been bringing the nation’s best health care close to home to serve the residents of Northeast Tennessee, Southwest Virginia, Southeastern Kentucky and Western North Carolina. This not-for-profit health care organization based in Johnson City, Tenn., operates family of 13 hospitals serving a 29-county region. Mountain States offers a large tertiary hospital with level 1 trauma center, a dedicated children’s hospital, several community hospitals, two critical access hospitals, a behavioral health hospital, two long-term care facilities, home care and hospice services, retail pharmacies, a comprehensive medical management corporation, and the region’s only provider-owned health insurance company. The team members, physicians and volunteers who make up Mountain States Health Alliance are committed to caring for you and earning your trust. For more information, visit mountainstateshealth.com.

Share this story.

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Wellmont Health System, Mountain States Health Alliance Name Members of Integration Council

April 7, 2015

As Wellmont Health System and Mountain States Health Alliance proceed with plans for integrating the two organizations, they have selected members of a committee that will help direct this multi-tiered process.

The two not-for-profit companies announced on Thursday, April 2, that they have agreed to explore the creation of a new, integrated and locally governed health system. The systems have now entered a due diligence period and are working to develop a definitive agreement.

This agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

One of the first elements of the process is the selection of an integration council. This group of executive and physician leaders is the working group charged with overseeing pre-merger planning. The integration council will have an equal number of representatives from Wellmont and Mountain States and make its recommendations to the joint board task force, which is the governing group that will consist of leaders from each health system.

The Wellmont council members are:

- Eric Deaton, executive vice president and chief operating officer
- Alice Pope, executive vice president and chief financial officer
- Todd Norris, senior vice president for system advancement
- Gary Miller, senior vice president of legal affairs and general counsel
- Dr. Dale Sargent, system medical director for hospitalist services and former chief medical officer

Wellmont still has one physician slot to fill.

The Mountain States council members are:

- Marvin Eichorn, executive vice president and chief operating officer
- Dr. Morris Seligman, executive vice president and chief medical officer
- Lynn Krutaik, senior vice president and chief financial officer
- Tony Keck, senior vice president and chief development officer
- Tim Belisle, senior vice president and general counsel
- Dr. Sandra Brooks, a system board member and vice president of Watauga Pathology Associates
“We are excited to be taking the first steps in the integration planning process with our counterparts at Wellmont,” said Alan Levine, Mountain States’ president and CEO. “Both organizations have assembled a team of talented and knowledgeable leaders, and their focus is now on putting the pieces in place for a definitive agreement.”

“These are outstanding members of our organizations, and they will play an important role in developing a plan for integration of the new health system that will further advance the quality of care in our region,” said Bart Hove, Wellmont’s president and CEO. “These are exciting times for Wellmont, but we still have much work to complete in the process of planning how the organizations will integrate, once we obtain all legal clearances. But we are pleased to be making tremendous progress as we move forward on this beneficial initiative.”

Among other tasks, the council will conduct a cultural assessment and ensure a proper due diligence is conducted. The council will also coordinate the process for the attainment of the certificate of public advantage in Tennessee and similar administrative approval from Virginia.

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Wellmont, Mountain States file requests for merger approval
Wellmont/MSHA file merger application with state
Certificate of Public Advantage, Cooperative Agreement Applications Filed by Wellmont, Mountain States
Wellmont Health System, Mountain States Health Alliance Name Members of Joint Board Task Force

May 6, 2015

Task force to assist each system’s governing body as proposed merger process moves forward

Wellmont Health System and Mountain States Health Alliance leaders have appointed a joint board task force as work continues to explore the creation of a new, integrated and locally governed health system.

The joint board task force is a committee of the two boards acting as a liaison and providing information and guidance about developments in the transaction exploration process. Totaling 14 members, the task force is composed of an equal number of representatives appointed by the Mountain States and Wellmont boards. The members represent a cross section of regional and physician leadership from the community, incorporating those with experience in governance, administration, business and strategy – both in health care and in the business community.

The group is primarily responsible for providing a conduit to the existing boards of directors about the progress being made as the two systems undertake due diligence and transaction analysis and pursue a potential definitive agreement.

Wellmont’s joint board task force members are:

- **Dr. Nelson Gwaltney**, of Bristol, Tennessee, a member of the Wellmont board of directors, president of Highlands Physicians Inc. and a general surgeon on the medical staff of Bristol Regional Medical Center;
- **Bart Hove**, of Kingsport, Tennessee president and CEO of Wellmont Health System;
- **Roger Leonard**, of Bristol, Tennessee, chair of the Wellmont board of directors and a senior adviser to England & Company;
- **Roger K. Mowen Jr.**, of Kingsport, Tennessee, a member of the Wellmont board of directors and retired senior vice president of global developing businesses and corporate strategy for Eastman Chemical Company;
- **Dr. Doug Springer**, of Kingsport, Tennessee, a gastroenterologist on the medical staff of Holston Valley Medical Center, a member of the Wellmont board of directors and immediate past president of the Tennessee Medical Association;
- **Dr. David Thompson**, of Bristol, Tennessee, an internal medicine physician with Wellmont Medical Associates in Bristol, who also practices in Abingdon, Virginia, and is a Wellmont board member and chairman of the Wellmont Medical Associates board of directors; and
• **Keith Wilson**, of Kingsport, Tennessee, who owns a secondary residence and a farm in Scott County, Virginia, a member of the Wellmont board of directors, publisher of the Kingsport Times-News and president of Northeast Tennessee Media Group.

Mountain States' joint board task force members are:

• **Barbara Allen**, of Johnson City, Tennessee, chair of the Mountain States board of directors and general manager of Stowaway Storage, a family-owned business in Johnson City;
• **Bob Feathers**, of Kingsport, Tennessee, a member of the Mountain States board of directors and president and CEO of Workspace Interiors, Inc.;
• **Alan Levine**, of Johnson City, Tennessee, president and CEO of Mountain States Health Alliance;
• **Dr. David May**, of Elizabethton, Tennessee, a member of the Mountain States board of directors and immediate past president of the medical staff at Sycamore Shoals Hospital;
• **Dr. Rick Moulton**, of Johnson City, Tennessee, medical director of clinical integration for State of Franklin Healthcare Associates and chairman of the SoFH patient centered medical home committee;
• **Gary Peacock**, of Marion, Virginia, a member of the Mountain States board of directors, former chair of the Smyth County Community Hospital board of directors, and retired senior vice president of Royal Mouldings; and
• **Clem Wilkes, Jr.**, of Johnson City, Tennessee, a member of the Mountain States board of directors and co-manager of Citizens Investment Services, a subsidiary of Citizens Bank Tri-Cities.

From now until the potential transaction closes, Wellmont and Mountain States will remain separate and independent organizations, conducting “business as usual.” Their respective boards of directors continue to govern the operations of each health system separately and independently, until all regulatory approvals have been granted and the merger is complete.

A board for the new proposed system will be appointed prior to the completion of the merger.

“During this current phase, our primary focus is on due diligence, confirming the transaction’s potential for substantial cost-savings, quality-of-care enhancements and other community benefits, pursuing a definitive agreement and laying the groundwork for creating the new system,” said Bart Hove, president and CEO of Wellmont. “The joint board task force and integration council will focus on preparing for what we expect will be a highly successful integration. Once the new health system is formed post-closing, a new board will take over the responsibility for governance and overseeing the implementation of an exciting vision for the future of health care in this region, which will be crafted with significant input from our physicians, team members and the community.”

“Some of the tasks before us include due diligence, a more detailed analysis and quantification of the transaction’s substantial benefits for the community, culture and governance audits and preparations for crafting our application for a certificate of public advantage in Tennessee and a similar approval in Virginia,” said Alan Levine, president and CEO of Mountain States. “We view the certificate of public advantage and the regulatory process as an important memorialization of our commitment to the people of this region, and we’re excited to begin working toward that goal. We are definitely committed to seeking public input, and this is the next order of business.”

For more information, please visit [www.becomingbettertogether.org](http://www.becomingbettertogether.org).

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Wellmont Health System, Mountain States Health Alliance to Seek Input on Key Health Issues, Call for Public Participation

June 10, 2015

Work groups to hold public meetings, provide input to assist health systems in development of long-term plan for improving the health of the region

KINGSPORT and JOHNSON CITY, Tenn. – (June 10, 2015) – Mountain States Health Alliance and Wellmont Health System officials are creating four community work groups designed to provide public input as the two organizations continue to explore the creation of a new, integrated and locally governed entity.

Through the website, BecomingBetterTogether.org, the health systems are requesting participation in the work groups from the community as well as subject matter experts such as nurses and other health professionals, doctors, public health officials and community advocates.

“Our organizations have committed to an open process as we consider the creation of a truly new health improvement organization for our region,” said Bart Hove, president and CEO of Wellmont. “These work groups provide a great opportunity for interested organizations and individuals to participate with us as we develop our strategies for improving the health of our area.”

The work groups will provide input in solving some of the region’s most challenging health issues: Mental Health and Addiction, Healthy Children and Families, Research and Academics, and Population Health and Healthy Communities. The work groups’ findings will be used by East Tennessee State University as part of a deep-dive health needs assessment that will be conducted after the proposed merger between Mountain States and Wellmont is complete.

That assessment will provide a road map for the proposed new health system as it lays out a 10-year plan to improve community health. The work group meetings are designed to focus specifically on health improvement and are separate from public meetings that will be held in Tennessee and Virginia as part of the state approval process for the proposed merger.

The work groups are divided into four key areas of opportunity:

**Mental Health and Addiction** – This group will evaluate the inventory of mental health and addiction services for adults and children in the area. Among other tasks, this group will assess gaps in access points, review strategies to prevent drug and alcohol use among youth and explore
structures to better integrate primary care in coordinating mental health and addiction treatment. The proposed new system will be dedicated to partnering with the medical and social service community to combat addiction and help the next generation achieve its potential.

**Healthy Children and Families** – This group will identify the most prominent physical, behavioral and social health problems among children in the region and explore their causes. The group will examine access points for children and evaluate strategies that have worked well in other communities. In addition, this group will identify gaps in educational achievement, particularly literacy and basic skills, and take inventory of community services available for children with special needs and developmental or physical disabilities.

**Research and Academics** – This group will identify specific ways the proposed new organization can work with ETSU and other academic institutions to substantially enhance the health and economic development of the region by expanding research, training, and the application of public health policy to improve health.

**Population Health and Healthy Communities** – Incorporating input from the other work groups, this group will identify the top health problems in the region and their clinical and social causes and will inventory current and past efforts to address these problems. The group will also identify successful community governance structures used locally or nationally (such as accountable care communities) that leverage schools, businesses, civic and faith groups, health care providers and government to improve health and wellness.

“Reducing untimely deaths and suffering from heart disease, diabetes, addiction and other chronic diseases through better screening, prevention and treatment is critical to improving the overall health of our region,” said Alan Levine, president and CEO of Mountain States. “But a healthy community is much more than the absence of disease – it means educated, safe and confident young people and adults able to pursue their ambitions and contribute to our community’s well-being.”

The work groups will begin meeting in July and will continue through the end of the year. Each group will hold public meetings, which will rotate throughout Northeast Tennessee and Southwest Virginia, to seek input from members of the community as well as organizations and experts interested in these areas. Each work group will be led by a subject matter expert and will include members from throughout the region who represent a broad variety of experience and perspectives. Work groups will be staffed by members of Mountain States and Wellmont along with master’s and doctoral level students from ETSU.

Work groups will provide regular updates as well as final findings to the Integration Council, a group of executive and physician leaders from both systems who are overseeing the analysis and making preparations for the integration of the proposed combined system.

As these groups form, due diligence research, led by the Integration Council and the Joint Board Task Force, continues between Wellmont and Mountain States to establish the proposed new system. The next step is approval of a definitive agreement by both organizations’ boards of directors, after which the systems will enter a government approval phase that will likely take through the end of 2015.

During the due diligence and government approval phases and until the closing, Mountain States and Wellmont will continue “business as usual” as two separate and independent organizations.

To learn more about the work groups and how to participate, visit **BecomingBetterTogether.org**.

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Share this story:
Wellmont, Mountain States Announce Chairs, Meeting Dates for Community Health Work Groups

August 5, 2015

Community round table meetings to solicit public input on important health issues in the region

KINGSPORT and JOHNSON CITY, Tenn. – (August 5, 2015) – Mountain States Health Alliance and Wellmont Health System have scheduled a series of community meetings to solicit input as the organizations work together to solve some of the region’s most challenging health issues, as part of the proposed merger.

The meetings are part of the health systems’ previously announced work groups initiative that will focus on four key areas: Mental Health & Addiction; Healthy Children & Families; Population Health & Healthy Communities; and Research & Academics. More than 100 community members responded to the call for participation through the BecomingBetterTogether.org website, and dozens more were recommended by key stakeholders as valuable participants in the process.

“We are pleased with the sincere interest throughout the region, and we are grateful for these distinguished members of the community who have agreed to lead these work groups,” said Alan Levine, president and CEO of Mountain States.

Eight community leaders have agreed to serve as chairpersons leading the four work groups:

- **Mental Health & Addiction:** Dr. Teresa Kidd, president and CEO of Frontier Health, and Eric Greene, senior vice president of Virginia services for Frontier Health;

- **Healthy Children & Families:** Dr. David Wood, chair of the department of pediatrics at East Tennessee State University and chief medical officer of Niswonger Children’s Hospital, and Travis Staton, CEO of United Way of Southwest Virginia;

- **Population Health & Healthy Communities:** Dr. Randy Wykoff, dean of ETSU’s College of Public Health, and Lori Hamilton, RN, director of healthy initiatives for K-VA-T Food City;

- **Research & Academics:** Dr. Wilsie Bishop, vice president for health affairs and chief operating officer of East Tennessee State University, and Jake Schrum, president of Emory & Henry.

“This is a tremendously talented group of individuals with expertise that spans multiple disciplines and geographic regions,” said Bart Hove, president and CEO of Wellmont. “We are honored to have them on board in this process and will benefit from their broad knowledge and community involvement.”
The public has a critical role to play in this process. The College of Public Health at East Tennessee State University (ETSU) will coordinate a series of community round table meetings designed to give residents an opportunity to provide input on the most pressing health concerns they see in their communities. The round table meetings will be held in various locations throughout the region, with a goal of soliciting input from a broad audience, including rural areas.

In addition, Wellmont and Mountain States leaders are partnering with ETSU and the work group chairs to assemble steering committees for each focus area. The steering committees will hold separate meetings to examine top health issues and also review presentations from health experts and community members. Wellmont and Mountain States officials are working with the eight chairpersons to finalize membership for the steering committees. Once complete, the members' names will be posted on BecomingBetterTogether.org. Both the community round table meetings and the work group steering committee meetings are open to the public.

The first two community round table meetings will take place Aug. 13 and Aug. 20.

- Thursday, August 13, 5:30 – 7:30 p.m.
- Thursday, August 20, 5:30 – 7:30 p.m.
  Southwest Virginia Higher Education Center, One Partnership Circle, Abingdon, Va.

Community members who wish to attend a meeting are asked to RSVP online at BecomingBetterTogether.org. Additional meetings will be scheduled in the coming weeks; for the most up-to-date schedule, visit BecomingBetterTogether.org.

The public meetings will be facilitated by ETSU’s College of Public Health and will feature a “world café” style discussion with participants circulating through a series of small group tables to exchange thoughts and ideas. ETSU staff will record the information presented during the meetings and compile findings from the meetings into a comprehensive report that will be used by the proposed new health system.

“Here in our region, there is a cycle of poor health that we see being passed from one generation to the next,” said Dr. Randy Wykoff, dean of the ETSU College of Public Health. “Our goal is to gather information that will allow the proposed new health improvement organization to use its resources to help break that intergenerational cycle of poor health. The proposed merger between Mountain States and Wellmont affords our region the opportunity to impact health in ways that weren’t possible in the past, so this is a very exciting opportunity from a public health perspective.”

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Latest News
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Wellmont, Mountain States File Letters of Intent to Begin Regulatory Approval Process in Tennessee and Virginia

September 16, 2015

*Actions mark next steps in the process to pursue state approval for the proposed merger*

**Kingsport and Johnson City, Tenn. (September 16, 2015)** – Wellmont Health System and Mountain States Health Alliance have filed a letter of intent (LOI) with the Tennessee Department of Health, indicating the organizations will submit an application for a Certificate of Public Advantage (COPA) this fall. The two organizations have submitted a similar letter of intent with the Southwest Virginia Health Authority, signaling their intent to request approval by the commonwealth of the anticipated cooperative agreement between the two systems.

These actions mark the next steps in the regulatory processes the organizations are following as they explore the creation of a new, integrated and locally governed health system designed to be among the best in the nation and address the serious health issues that affect our region.

“The underlying purpose for the proposed merger is to reduce the growth in health care costs, improve the health of our region and invest in the growth of our economy,” said Alan Levine, president and CEO of Mountain States. “The job creators and employers in our region support this model because they know, as we do, that a locally governed system, under the enforceable agreement of a COPA, will be the best alternative to the widespread consolidation wave happening to hospitals and insurance companies.”

Next, the two organizations will finalize a definitive agreement, which is another formal step in the process to solidify the proposed partnership. The date for expected completion of the merger has not been set but will not occur before state approval has been granted.

A COPA in Tennessee and the cooperative agreement approval process in Virginia will allow Wellmont and Mountain States to merge, with the states actively supervising the proposed new health system to ensure it complies with the provisions of the COPA intended to contain costs and sustain high quality, affordable care.

“COPA regulation with active supervision by the states is a proven and effective tool to protect consumers, as opposed to traditional hospital mergers occurring all across the country that do not include state involvement and ongoing oversight,” said Bart Hove, president and CEO of Wellmont. “With this proposed merger, our patients and our region will have access to more choices and health care options than they do today – and more than with any other solution.”
“In fact, other paths we explored could have led to loss of local control and jobs to new owners outside the region, as well as increased costs. We believe the proposed merger is the best approach for our community, and we greatly appreciate the hard work of officials in both states to provide a path for our vision to become a reality.”

Tennessee’s Department of Health recently released interim regulations governing COPAs in Tennessee, and Virginia’s Department of Health is finalizing rules to oversee similar cooperative agreements in that state. The rules provide a process and framework for state officials to follow in receiving and reviewing applications for a COPA/cooperative agreement and then actively supervising these agreements if approved.

In Virginia, a group of 25 physicians, community members and business leaders recently attended a meeting hosted by the Virginia Department of Health to express their opinions on the proposed regulations as well as their support for the proposed merger.

“We’ve been truly humbled by the outpouring of support we’ve received from business leaders, physicians and the community over the past few months,” Hove said. “It’s great to see that so many people in our region share our excitement about what we’re creating.”

“As we’ve said from the beginning, we are committed to being transparent about the efforts underway to pursue approval for our proposed merger,” Levine said. “While filing the letters of intent with Tennessee and Virginia are important next steps, they are simply two of many that will occur in the next few months. There is still a lot of work ahead. But, we grow more confident every day in our ability to work together to create a bright future for health care in our region.”

View copies of the Tennessee and Virginia letters of intent.

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Wellmont, Mountain States Share Public Report Outlining Future Plans to Improve Health in Region

January 7, 2016

*Report reflects extensive community input, describes commitments in six key areas*

**KINGSPORT and JOHNSON CITY, Tenn. (January 7, 2016)** – Mountain States Health Alliance and Wellmont Health System today released a public report outlining a series of binding commitments the proposed new organization will make about how it will operate and uniquely serve the community together. The report describes commitments in six key areas to improve health in the region.

The commitments include: improving community health, enhancing health care services, expanding health care choices and access to care, enhancing health care value, investing in health research and education, and attracting and retaining a strong workforce.

Unlike traditional mergers and consolidation, the proposed organization also commits to reduce the pace of growth in health care costs to below the national average by placing limits on negotiated rates with insurers.

“Our management teams working together continue to make very careful and deliberate progress with the proposed merger and are excited to take this next step by sharing our transformational vision, which has drawn widespread support from community, business and governmental leaders throughout our region and respective states,” said Roger Leonard, chair of Wellmont’s board of directors. “We look forward to working with officials in Tennessee and Virginia as they evaluate the report and upcoming filings so this process can reach a successful conclusion. We appreciate their engagement and willingness to provide the framework that will produce an innovative, nationally recognized model that will promote improved health and quality of life for our families, friends and neighbors.”

The pre-submission report, required by the regulatory approval processes in Tennessee and Virginia, precedes the filing of applications for approval of the proposed merger in both states.

“The path we are pursuing is an innovative model unlike the traditional mergers that are common among hospitals and providers today,” said Barbara Allen, chair of the Mountain States board of directors. “We believe our proposed alternative is better. It is the only model that maintains local governance, provides an enforceable commitment to limit pricing growth, keeps hundreds of millions of dollars in our region and invests those dollars in the improved health of our region while preserving local jobs.”
Specifically, Wellmont and Mountain States are committing to a series of transformational investments, made possible through financial efficiencies that will be achieved with the proposed merger, in the following ways over the next 10 years:

- **At least $75 million** to invest in population health improvements to meet the unique health needs of our region through a 10-year plan to be developed with the community and the public health resources at ETSU;
- **At least $140 million** to expand community-based mental health services, residential and outpatient addiction recovery programs, and tobacco and substance abuse prevention programs as well as to further support children’s and rural health services;
- **At least $85 million** to develop and grow academic and research opportunities, support postgraduate health care training, and strengthen the pipeline and preparation of health professionals in the region; and
- **Up to $150 million** to implement a common information technology platform to support the regional exchange of health information, connect our hospitals, physicians and other caregivers, and allow the combined system to offer higher quality, more convenient and more cost-effective care for patients.

The commitments outlined in the report were developed after careful review of a variety of research and data, including the state health plans from Tennessee and Virginia, the Southwest Virginia Health Authority’s Blueprint for Health Improvement and Health-Enabled Prosperity, the two organizations’ initial due diligence, input from community meetings, local health data and statistics, projected health needs, existing services, financial data, and more.

“These commitments reflect months of extensive conversations with stakeholders across our region,” said Alan Levine, president and CEO of Mountain States. “The transformational investments outlined in this report would not be possible without the savings realized by combining our two organizations.”

Wellmont and Mountain States anticipate filing the applications for a Certificate of Public Advantage (COPA) with the Tennessee Department of Health and a cooperative agreement with the Southwest Virginia Health Authority in late January after a period of public comment on the [pre-submission report](http://becomingbettertogether.org/report/). The applications will initiate the state review process, which is expected to extend into the late summer of 2016.

Should Tennessee and Virginia approve the applications and the merger becomes final, the state and commonwealth will supervise the new organization and enforce the commitments to ensure the public benefits.

“Our health systems are fortunate to have highly regarded physicians and other dedicated professionals who have enabled us to serve the region with distinction for decades,” said Bart Hove, Wellmont’s president and CEO. “Because of the investments we are committing to make, new opportunities will be created that will provide a brighter future with more opportunities for all because we will be a stronger organization together than would otherwise be the case.”

The community is encouraged to review the report and comment on its contents at [www.BecomingBetterTogether.org](http://www.BecomingBetterTogether.org). The website also provides further information about the proposed merger process, including frequently asked questions, news and updates and more. A summary of the commitments outlined in the pre-submission report is attached to this release.

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February 16, 2016

**Joint Board Task Force adds three new community members**

**KINGSPORT and JOHNSON CITY, Tenn. (February 16, 2016)** - Wellmont Health System and Mountain States Health Alliance today have filed applications for a Certificate of Public Advantage (COPA) in Tennessee and a cooperative agreement in Virginia that would enable the two organizations to unite, creating a new health system uniquely designed to improve health and manage health care cost growth in the region.

Both applications include a copy of the definitive agreement between the two health systems, which was unanimously approved by the boards of both organizations and signed on Monday by Roger Leonard, chair of the Wellmont board of directors; Barbara Allen, chair of the Mountain States board of directors; Bart Hove, president and CEO of Wellmont; and Alan Levine, president and CEO of Mountain States. The definitive agreement is a binding legal document that outlines how the two health systems would unite their operations upon approval by the states.

In filing these applications with the Tennessee Department of Health and the Southwest Virginia Health Authority, the proposed merger enters a formal review phase by regulators in Tennessee and Virginia. This process is expected to extend into the late summer of 2016 but may take longer depending on the review processes in both states. Mountain States and Wellmont leaders anticipate an ongoing dialogue with both states throughout the process.

“As we embark on this next phase, we welcome the opportunity to work with officials in Tennessee and Virginia as they review our applications,” said Allen. “We have invested a tremendous amount of work into gathering community and internal feedback, reviewing best practices, and carefully crafting our applications according to the criteria in the state statutes.”

“The filing of these applications and the unanimous approval of the definitive agreement demonstrate our excitement for the proposed merger and the good it will provide for our region,” said Leonard. “When we announced our plans in April 2015, we believed we could be better together. Now, nearly a year later, we are enthusiastic to see our proposed plans taking shape into an innovative organization that will positively impact the health of our region for generations.”

Following statutes that exist in both states to allow state-supervised mergers of this kind to proceed if the public benefits outweigh any disadvantages, each application addresses subjects such as the organizational structure of the proposed system and commitments to improve the region’s health.
expand access to care and stem the pace of health care cost growth by reducing negotiated rates and placing caps on rates moving forward.

A required pre-submission report released in January summarized much of the content in the state applications. This report, posted on www.BecomingBetterTogether.org, invited public feedback and continued an ongoing conversation with local stakeholders and community members about the merits of the health systems’ proposal. The COPA and cooperative agreement applications outline details of community engagement efforts and feedback received from groups and individuals, including nearly 60 supportive letters from employers, community organizations and other leaders in the area.

The COPA and cooperative agreement applications, including the definitive agreement, are now posted on the Better Together website, www.BecomingBetterTogether.org for public review. People who want to learn more about the proposed merger and have an opportunity to ask questions are encouraged to visit the site frequently for updates.

Expansion of the Joint Board Task Force

Under terms outlined in the definitive agreement, Wellmont and Mountain States have expanded the Joint Board Task Force to include two new community members and the president of East Tennessee State University. This task force, which currently consists of an equal number of representatives from both organizations, acts as a liaison and provides information and guidance about developments in the proposed merger process.

Joining the task force are Dr. Brian Noland of ETSU, David Golden of Eastman Chemical Company and Scott Niswonger of Landair Transport, Inc. and the Niswonger Foundation.

Noland became ETSU’s president in 2012, having previously served as chancellor of the West Virginia Higher Education System. During his tenure with ETSU, Noland has launched a major initiative to build a performing arts center and initiated a successful plan to field a football team. He also established the Committee for 125, which guided a year-long visioning process in advance of ETSU's 125th anniversary in 2036. In addition to his leadership on campus, Noland is a member of the board of directors for The Chamber of Commerce serving Johnson City, Jonesborough and Washington County.

Golden is senior vice president, chief legal officer and corporate secretary of Eastman Chemical Company, which is based in Kingsport and has worldwide operations. He has been a valuable member of the Fortune 500 company during his 20 years of service and has steadily risen through the ranks to positions of increasing responsibility. Among his many civic endeavors are membership on the Governor’s Council for Judicial Appointments, the advisory board of Western Governors University Tennessee, the board of directors for the State Collaborative on Reforming Education and the board of directors for Networks – Sullivan Partnership.

Niswonger is the founder of Landair Transport Inc. and chairman emeritus of Forward Air Corp. He is also a highly regarded philanthropist via the Niswonger Foundation, making a positive and sustainable difference in education and other areas of importance to the community. He is the chief benefactor of Niswonger Children’s Hospital, where he continues to be involved in developing health care resources and ensuring access to quality specialty care for children of all ages.

The Joint Board Task Force will continue to oversee work on plans for integrating the two organizations’ operations, cultures and shared vision while health system officials continue their dialogue with state officials over the coming months.

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About Wellmont Health System

Wellmont Health System is a leading provider of health care services for Northeast Tennessee and Southwest Virginia, delivering top-quality, comprehensive health care, wellness, and long-term care
services across the region. Wellmont facilities include Holston Valley Medical Center in Kingsport, Tenn.; Bristol Regional Medical Center in Bristol, Tenn.; Mountain View Regional Medical Center in Norton, Va.; Lonesome Pine Hospital in Big Stone Gap, Va.; Hawkins County Memorial Hospital in Rogersville, Tenn.; and Hancock County Hospital in Sneedville, Tenn. For more information about Wellmont, please visit www.wellmont.org.

**About Mountain States Health Alliance**

Since 1998, Mountain States Health Alliance has been bringing the nation’s best health care close to home to serve the residents of Northeast Tennessee, Southwest Virginia, Southeastern Kentucky and Western North Carolina. This not-for-profit health care organization based in Johnson City, Tenn., operates family of 13 hospitals serving a 29-county region. Mountain States offers a large tertiary hospital with level 1 trauma center, a dedicated children’s hospital, several community hospitals, two critical access hospitals, a behavioral health hospital, two long-term care facilities, home care and hospice services, retail pharmacies, a comprehensive medical management corporation, and the region’s only provider-owned health insurance company. The team members, physicians and volunteers who make up Mountain States Health Alliance are committed to caring for you and earning your trust. For more information, visit www.mountainstateshealth.com.

Share this story:

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**Wellmont Health System**

1905 American Way
Kingsport, TN 37660
(423) 230-8200

**Mountain States Health Alliance**

400 North State of Franklin Road
Johnson City, TN 37604
(423) 431-6111

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**Latest News**

- Wellmont, Mountain States file requests for merger approval
- Wellmont/MSHA file merger application with state
- Certificate of Public Advantage, Cooperative Agreement Applications Filed by Wellmont, Mountain States

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Wellmont and Mountain States Announce Name for Proposed Health System

Dear co-workers and physicians,

As you know, we have been engaged in the activities necessary to bring Wellmont and Mountain States together as a new health delivery system. I couldn’t be more proud of the work so many people are doing in order to ensure success with this transition. And I’m talking about you.

Each day, you come to work. The first thing you do is you listen. You listen to your patients explain how they feel. You listen to your colleagues when they give you reports. You listen to the sounds of monitors, and you listen when a patient calls. Each day, with each human transaction you engage in, you participate in the story of that person’s life.

What a special thing. Which brings me to our region.

Like no other, our region’s history is deeply lived through our stories and our music. We never run from challenges; we embrace them, together. Our passion is to understand the unique story of each person’s health and well-being and to contribute our part. Together, Wellmont and Mountain States, as a new health system, will prove good health is achievable by truly hearing each person’s story, and by listening.

And so, today, I’m privileged to be able to share with you an important decision made last night by our Joint Board Task Force – the group of women and men who will govern our new health system. Defining our culture begins with the name and tag line we attach to ourselves. The name selected reflects the importance of each individual’s life story in the provider-patient relationship and the distinct character and heritage of our region.

Once our merger is approved, Mountain States Health Alliance and Wellmont Health System will become Ballad Health. And our tag line will be, “It’s your story. We’re listening.”

This name and associated tag line reflect the culture of our region, and importantly, the culture we wish to have as a new health system. A culture steeped in focusing on the individual stories of our patients and their families. Think about what a privilege this is... each patient trusts us with their most important stories, and we get to be in the front row. There is nothing more important than trust in this relationship.

The new name reflects the input received from over 400 local health care consumers, physicians and team members from both health systems. We found the most important attribute local patients look for in their health care provider is, “Listening to patients and including them in healthcare decisions” followed closely by, “provides the best medical results” and, “takes the time to explain things clearly.”

Good health is about more than health care; it’s about the story of our lives. Recognizing and listening to the unique story of each and every patient will be the hallmark of our new organization. We will give our patients’ stories our undivided attention because we cherish the fact that they are sharing them with us.

With a decision on our new name, the logo and other elements that will form our new brand can be developed. These will be released once our merger is finalized. In addition, work continues on developing our mission and vision statements, as well developing a collaborative process for Ballad Health team members to define the new organization’s values, which will become our guiding principles.

Our new name is deliberately different, and it is bold. Why? Because we want to be a different kind of health system, building on the promises we made when we embarked on this merger journey.

The proposed merger is currently under review by state officials in both Tennessee and Virginia. We are so grateful for all of the feedback and support we’ve received during the dozens of public meetings that have taken place to date. I hope you’ll join me in celebrating the fact that we can now look forward to becoming better together under our new name, Ballad Health: It’s your story. We’re listening.

I’d love for you to see a short video we’ve created to help tell the story of our new name and who we are becoming. It’s posted here (https://t.co/2ma.net/click/fx8q4f/rm0yol/3z2mnm).
Key updates to our strategic options process

Wellmont friends,

It’s been a busy start to October, and we wanted to share a few key updates with you at this time.

First, congratulations to Wellmont Medical Associates for being recognized nationally as an Acclaim Award Honoree by the American Medical Group Association for efforts to enhance patient care, reduce hospital readmissions and increase access to primary care. Wellmont Medical Associates was one of only three organizations nationwide to be recognized in 2014. This tremendous honor reflects the superior patient care we deliver, and it is at the heart of what our board will protect and advance as it charts the right path forward for Wellmont.

Over the past few months, we’ve spent a lot of time talking with and listening to many people from the communities we serve. Our board’s deep belief in the value of Wellmont to this region has been confirmed by every conversation we’ve had in the community. By the same token, our commitment to make high-quality clinical care the No. 1 criteria for selecting the best partner has also been confirmed. To get a sense for all of this activity, take a look at this infographic that illustrates the commitment from our board to engage and listen to the voices within our hospitals and our communities. Of course, these conversations continue.

The board also continues its work to learn more about the potential partners under consideration, including site visits to those organizations, which are ongoing. We want to make sure the potential partners are not only a clinical and strategic fit, but a cultural fit as well. There is much more to be done, but the bottom line is, the board likes what it sees. Each of the partners could significantly advance our ability to provide the high-quality clinical care our communities deserve.

So what happens next? Over the next few weeks, our board members will remain intensely focused on analyzing all the input and information they have received in order to make the best decision for our future. Our board is committed to taking as much time for this part of the process as needed.

In the meantime, we appreciate all the support we have received from key companies and organizations in the region. In case you missed it, Eastman recently released a statement, expressing their respect for and confidence in our board and the process underway. Additionally, last week the Chambers of Commerce from Johnson City, Kingsport and Bristol all acknowledged the important work of our board to determine the right future for Wellmont and health care in our region.

If you’d like to see the information we recently provided to the Chambers, you can find it on our website.

As always, thanks for your support and interest.

Sincerely,
Mountain View Regional Medical Center has been contracted out to another health system.

Fact: Not true. Mountain View Regional Medical Center remains an important part of Wellmont Health System.
Have a question or heard a rumor you’d like to see addressed? Share it here >>
Wellmont board engages in extensive internal and community outreach

The conversations we’ve had with our community members, co-workers and physicians the last few months have been energetic, important and encouraging. In case you missed it in our previous newsletter, you can see a breakdown here of the 100+ meetings we’ve had and the thousands of people we’ve met. Those conversations continue, including another round of town hall meetings with Wellmont co-workers, which resumed last week.

These meetings demonstrate the broad internal and external outreach by our board of directors to detail the rationale for the strategic options process, explain what we will achieve and answer people’s questions. This interaction has been extraordinarily helpful to our board and the strategic alignment process.

You might have read or seen recent stories on local television or in the daily newspapers about a briefing two of our system board members and a member of the strategic options committee provided for local media. Board chairman Roger Leonard, vice chairwoman Julie Bennett and committee member Dr. Jack Butterworth provided valuable insight as they updated the community about the status of the process. Please click here and here to see two of the stories that resulted from this briefing.

For the next several weeks, the board will focus on analyzing all of the data and input we have received to select the right path. We will hear final proposals from the three prospective partners, and we’ve also added a new panel of physicians from across our system to provide input. This panel will participate in meetings with our potential partners and help us select a partner that shares our commitment to clinical excellence, physician leadership and a patient-centered culture.

Due to the intensity of this work, this will be a quiet phase of the process, without major announcements.

However, please keep the questions coming via the website and check back often for additions. As always, thanks for your support of Wellmont.
Wellmont partnership search narrows to two

Wellmont Health System recently announced it has completed a phase of extensive engagement with our co-workers, physicians and community members. We came away from these conversations with an even stronger sense of what’s important to the people we serve. The board is already using the input to shape our process and has discussed with our prospective partners what the community values.

Our process remains on track, and there is still much more work to complete. As part of this process, we’ve recently gone from three potential partners to two, with the final two including a regional option. Both of these organizations are aligned with Wellmont’s guiding principles.

“With two strong candidates remaining, Wellmont is confident the best option can be attained,” said Roger Leonard, the board’s chairman. “Together with Wellmont’s already strong achievements in clinical excellence, the prevailing partner will further equip our organization to meet the health care needs of the region for generations to come. Our board remains focused on the significant work that must occur to ensure we take the right path.”

While we have not come to a conclusion, we’re excited about the possibilities the remaining organizations represent for Wellmont and the patients we serve. Over the coming weeks, we’ll continue to evaluate our options and still anticipate making a final decision in December.

In the meantime, we hope you’ll continue to visit www.forwardwithvision.org to submit questions, read news and visit our Fact Check page for answers to frequently asked questions and rumors. Thanks again for everything you do for Wellmont and the patients we serve.
Wellmont’s strengths shine during partnership search

All of us at Wellmont wish you a healthy and happy Thanksgiving! We know this time of year is one of the busiest, and we hope you are able to find some quiet moments to rest and relax with friends and family.

Despite the busyness of the holiday season, we are still focused on making the right decision for Wellmont and the patients we serve. Our partnership search is still on track, and we’re making great progress. Our board continues the hard work of reviewing and analyzing our options, and we are excited about the possibilities for Wellmont and our region.

Many great things are happening at Wellmont in addition to the strategic options process. In case you missed it, here are a few recent highlights:

- Three leaders who have helped shape Wellmont were recently honored with THA awards. These leaders were honored for the integral role they have played in ensuring Wellmont delivers superior care with compassion.
- Wellmont’s staff was showcased during a live streaming of vascular procedures for an international vascular conference. The cases, performed at Holston Valley Medical Center, allowed conference attendees to watch and discuss them as they happened.
- Experienced registered nurses and recent and upcoming nursing graduates learned more about Wellmont career opportunities during a recent job fair.

At Wellmont, we are thankful for the great care our co-workers, physicians and volunteers continue to provide our patients. We are also thankful for the support of our community and the opportunity to serve you every day. We hope you enjoy the upcoming holiday.

Rumor has it MSHA told some of their employees on Oct. 3 they were merging with Wellmont. True/false? I find it hard to think they’d announce before Wellmont unless someone let it slip.

**Fact:** A final decision has not been made and is not expected until year-end, at the earliest. The potential partners Wellmont is considering remain confidential as the board continues the hard work of analyzing the proposals.

*Have a question or heard a rumor you’d like to see addressed? [Share it here >>]*
Wellmont’s strategic options process continues, remains on track

Dear Wellmont community,

I want to update you on the hard work of Wellmont’s board of directors and leadership to determine the best path forward for our health system. In short, our strategic options process continues to be on track.

This is a complex decision, and the significance to our health system and our community cannot be understated. With that in the forefront of our minds, we have taken a very deliberate and thoughtful approach to this work over the last year. In fact, at this point, I believe this work will likely continue into the new year, especially in light of the holidays.

As we have said from the beginning, the board is leading Wellmont through this process with a proactive view of the fundamental challenges facing health care and the opportunities afforded us because of the strength of our system and the great work of our physicians, nurses and staff.

I am excited about Wellmont’s future. This long-term decision requires us – and every health system nationally – to come to terms with new realities and reinvent the way we conduct business and provide care. That work is essential regardless of our partnership decision. However, I am confident about our ability to tackle these challenges and continue to build something great for our region.

As we double and triple check the information before us and further validate our assumptions, we are working intently with Wellmont’s physician leaders in partnership with the administrative team to identify areas for improvement and opportunities for growth.

Just as the positive outcomes for our patients depend on the work of our hospital and clinic staff members, our future business success depends on the work we perform every day, hand in hand with our physicians, nurses and other health care professionals. Together, we will confront the headwinds facing all health systems with strength and vision.

We are grateful for your patience and support as we continue to plan a bright future for Wellmont. It is your dedication, compassion and skill that have resulted in the financial stability and clinical excellence we experience today. Every person, every role in our health system is important to that success. The pride we take in Wellmont is warranted, and we have your remarkable commitment to thank.

Sincerely,

Roger Leonard
Chairman of the Board
Is it true that Wellmont will merge with a health care system that already has the Epic system in place?

**Fact:** We anticipate Wellmont will continue to use the Epic electronic health record system regardless of the partner selected.

*Have a question or heard a rumor you’d like to see addressed? Share it here >>*
Welcome to the Forward with Vision newsletter

Dear Wellmont friends,

There is a lot happening here at Wellmont. We’re working hard every day to prepare for the future, while not skipping a beat with our patients and their families.

During this time of ongoing change, it’s important you’re in the know and have an opportunity to ask questions and get the truth about rumors that inevitably arise.

Starting this new Forward with Vision email update is one way we hope to do just that. We’ve created this to not only keep you informed, but to celebrate the impact we’re having on our patients and community.

I hope you will take the time to read these updates. And if you have ideas about what you’d like to see featured in a future edition, please let us know.

As always, thank you for all you do for Wellmont – whether you work here or support us, we wouldn’t be the organization we are without you.

Denny DeNarvaez
President & CEO
Wellmont Health System

What’s the latest on our strategic options process?

As we progress in our strategic options analysis, we’re still engaged in conversations with six health systems interested in the possibility of alignment. This is a lengthy process, but we’re about halfway through the exploration process. We expect a few more months of research and discussion before our board makes its final recommendation later this year. News and updates

Impressive new chairman leads the way for Wellmont

Roger Leonard has a solid grasp of our health system’s strengths and opportunities, but he doesn’t have to handle this task alone. He has a remarkable group of men and women by his side to help chart our organization’s direction. Full story >>

In case you missed it

June 11 – Proposals from six health systems under consideration
May 2 – CEO updates Wellmont co-workers and community on the strategic options process
March – Requests for proposals issued
Feb. 13 – Kaufmann Hall selected to help explore options
Jan. 9 – Process launched to explore strategic options for Wellmont’s future
What’s happened at Wellmont lately?

Meet Roger Leonard, Wellmont’s new board of directors chairman
Holston Valley’s trauma center earns Level I status for three more years
Six more physicians graduate from Wellmont’s osteopathic family medicine residency program
Wellmont Medical Associates collaborates with Cigna in initiative that advances quality of patient care
Dear Wellmont friends,

Since launching the Forward with Vision website last week, we have received a lot of feedback and questions about the goals we have set for the future of Wellmont Health System. The Wellmont board of directors is continuing to evaluate the exciting partnership opportunities that are before us, and we appreciate your opinions.

Like many of our board members, my family and I have lived in this region for generations. In fact, all of our board members are from our region or have lived here for many years. Like you, we have a deep and abiding interest in health care for our families, friends and neighbors in our communities.

Health care is more than a service industry. It is a special and unique calling to serve those in need of medical care. It is at times like those that we feel most vulnerable.

I experienced that most acutely several years ago when my mother underwent multiple surgeries, chemotherapy and radiation. She received care from several facilities throughout Wellmont. No one expected her to live, but thanks to the education, training and experience of Wellmont’s physicians and employees, she is alive today and living a happy, relatively pain-free life.

I believe in miracles because of the healing and comfort that Wellmont’s staff has provided for so many of my family members and friends over many decades.

My work as a Wellmont board member is personal to me. And I know the decisions we’re making and the future we’re planning are personal to you, also. We still have much more work to do before we make any final decisions, and we want to hear from you – what do you think is most important to consider as we plan for the future? Please visit the website, where you can share your thoughts, submit your questions and find answers as we all venture through this exciting opportunity for growth together.

Thanks for your service and your support of Wellmont.

Sincerely,

Roger Leonard
Chairman of the board of directors
Wellmont Health System
This decision is being made by management, not the board of directors.

**Fact:** This is solely a decision by the Wellmont board of directors, and the board takes this decision very seriously. The board has already devoted a year and a half and hundreds of volunteer hours to this exploration. It will leave no stone unturned to study all of the options presented, to engage outside experts to validate information and to hear input from our community members, physicians, management and employees. Because of the depth of the process and the integrity the board is applying to this work, no one is better positioned than our board to weigh all the factors and make the most informed decision. 

*Have a question or heard a rumor you’d like to see addressed? [Share it here >]*
Sharing a common vision for Wellmont’s future

Dear Wellmont friends,

Over the last few weeks, my fellow Wellmont Health System board of directors members and I have been in the community and in our hospitals talking about the future of our health system and, just as importantly, the future of health care in our region.

It’s an exciting and challenging time. Because of the great work of our physicians, nurses and staff, Wellmont is well-positioned to chart its own course in a very turbulent time in our industry. The options in front of us are great.

It has been our goal from the outset to hear from all the voices in our community – not just those that are heavily funded. We’re hearing from community leaders, physician leaders, nurses, businesspeople and retirees. It’s so encouraging to hear the pride people have in Wellmont and our region.

Through all my conversations, as people share their concerns and ideas with me, I am struck again and again by our common views and aspirations for the future.

**We agree** that ensuring the continued delivery of superior clinical care is paramount; **we agree** jobs and growth are important; **we agree** that any future path for Wellmont must ensure its continued financial vitality; **we agree** on the need to keep health care costs under control; **we agree** that health care is changing and that we have an opportunity today to move forward under our own terms instead of being forced into a desperate solution; and **we agree** that Wellmont should never sacrifice long-term success for short-term convenience.

This shared vision of Wellmont’s important place in our region confirms the value of the hard, serious work of our board over the last year to ensure our health system delivers the best health care anywhere. That is our vision, one from which we will never waver.

We are still listening and learning, and we have reached no conclusions. Wellmont is acting from a position of strength, so we will take the time to do this right – the landscape is that complex, our responsibility is that great, and our opportunities are that extraordinary.

Wellmont is planning several upcoming meetings in our communities and our system, and we welcome the community to join us. For those who are interested in joining us for one of those meetings, getting the latest information or submitting thoughts or questions, please visit forwardwithvision.org.

Thanks for your service and your support of Wellmont.
Sincerely,

Roger Leonard
Chairman of the board of directors
Wellmont Health System

I hear ETSU is going to be negatively impacted by the outcome of the exploration process.

This is false. We strongly value our relationship with ETSU, and we’re committed to ensuring that any potential partner honors that relationship. In fact, our hope is that our partnership with ETSU will actually be stronger in the future as a result of this process. We’re sharing ETSU’s “wish list” with our three remaining prospective partners, and these organizations’ commitments to meeting these desires and expanding our already strong relationship with ETSU is a critical factor our board will take into consideration when it makes its ultimate decision.

Have a question or heard a rumor you’d like to see addressed? Share it here >>
Bart Hove returns to Wellmont as interim president and CEO

Dear Wellmont friends,

I hope you’ve had a chance to see the announcement we made yesterday regarding our interim president and CEO, Bart Hove. Many of you know Bart, who was a part of the Wellmont Health System family as CEO of Bristol Regional Medical Center for many years. He’s an accomplished and highly respected leader, and we’re delighted he’s joining us in this role.

As you know, our board’s focus continues to be the work of determining the right strategic direction for Wellmont and health care in our region. We are still considering three very strong potential partners, and we continue to be excited about the possibilities these organizations represent.

In case you missed it, our partnership search continues to generate important public discussion. I thought you might be interested in these recent news items:

- Two of our board members, Julie Bennett and Roger Mowen, were featured on the WKPT program “A Closer Look.” In the interview, Roger and Julie discussed some of the challenges health systems all around the country are facing, as well as the bright future Wellmont hopes to achieve with a partner. You can view Part One of the interview here and Part Two of the interview here.
- An opinion piece from Wellmont physician Dr. Dale Sargent appeared in the Kingsport Times-News addressing the notion of “local control.” He raises some interesting points and reminds us of the benefits our region has seen from the big decision to bring in a new owner for Bristol Motor Speedway several years ago. You can read Dr. Sargent’s message here.
- An opinion piece from Bristol Regional board member and retired physician, Dr. Jack Butterworth, appeared in the Bristol Herald Courier and the Washington County News. Dr. Butterworth shares his thoughts on how the health care industry has changed since he started practicing in 1971 and his excitement about how Wellmont is adapting to these changes and preparing for the future. You can read Dr. Butterworth’s message here.

As always, thank you for your support of Wellmont and the patients we serve.

Sincerely,

Roger Leonard
Chairman of the board of directors
Wellmont Health System
Bristol Regional Medical Center may be sold off separately from the rest of Wellmont.

Fact: **Not true.** Wellmont is a united health system, and the path we are exploring for our future includes all of our hospitals and the communities we serve.  
*Have a question or heard a rumor you’d like to see addressed? Share it here >>*
Dear Wellmont friends,
Over the last few weeks, I and many of my fellow board members have spent a lot of time out in the community visiting with civic clubs, elected officials, business leaders and other community members. One thing we’ve heard are arguments for local control being the number one priority in any alignment decision. While local control is an important consideration, our primary consideration is maintaining and advancing our strong clinical excellence. After all, our organization’s primary mission is to deliver superior health care with compassion. Everything else is secondary.

From my perspective, the key issues in our decision are clinical excellence, capital investment, culture and control. We are looking to align with a partner that can bring state-of-the-art clinical practices, processes and procedures that will help us to excel in all areas, like we do in our cardiac and cancer service lines.

Service excellence and future growth depends on capital investment, which is why we are requiring any partner to commit to significant investment into our existing clinical operations.

Finding the right cultural fit is also a key consideration for our board. We are looking for a partner who shares our commitment to putting patients first, to the importance of physician leadership and to investing in our employees. While local control is also an important consideration – and any future partnership would involve continued local input into decision-making – it means nothing without a strong commitment to clinical excellence, capital investment and a patient-centric culture.

In the end, our board is principally focused on the concerns that are shared by our physicians, nurses and employees and the patients they serve. Everything else is secondary.

Sincerely,
Roger Leonard
Chairman of the board of director
Wellmont Health System

In case you missed it

To learn how Wellmont is moving Forward with Vision and share your thoughts, visit forwardwithvision.org.

Frequently asked questions about Forward with Vision

If we do partner with another health system, will we be keeping the IT system Epic?

See the answer and more new FAQs here >>
Sept. 15 – Interim CEO Bart Hove brings 37 years of health care leadership to Wellmont
Aug. 7 – New website launched as part of partnership exploration process
July 30 – Wellmont reduces potential partners from six to three
July 22 – New chairman leads the way for Wellmont
June 11 – Proposals from six health systems under consideration
March – Requests for proposals issued
Jan. 9 – Process launched to explore strategic options for Wellmont’s future
Growing to provide the best care possible, for you here at home

Dear Wellmont friends,

The end of summer has, for me, always been a time for reflection. It’s a time in the year when the seasons remind us that after the hard work of planting and cultivating, it is time to prepare for the harvest. It is also a time when our children, whether they are entering kindergarten or graduate school, are embarking on a new journey of exploration. Within these contexts, this is a season both of reaping and sowing – activities that are associated with great expectation, anticipation of long hours of toil and perhaps even uncertainty as to the outcome of the harvest.

All day, every day as we go through our alignment process, our board and management team think about the thousands of patients, patient families, staff, nurses and physicians whose lives will be touched by our alignment decision. Our goal is to become the best not-for-profit health system in the Southeast. The many months of work we have dedicated to this process, the high expectations we have for our health system and our long-term commitment to the betterment of our region is a responsibility that we take on with a great deal of humility. We have a lot more work to do, but we are committed to doing what is right for you, our patients and our region.

We’ve heard from some of you that you’d like to know more about how patients and communities benefit by Wellmont partnering with like-minded organizations, as we hope to do. So, we’ve added more information to our website that speaks to some of these benefits. I hope you’ll check it out, and continue to share your thoughts with us moving forward.

We’ve also received a variety of other questions, and we’re actively answering these each week on our Fact Check page. I hope you’ll check this page regularly to see new questions answered and rumors debunked.

Wellmont’s board is committed to finding the right partner – one who has the resources and will commit to long-term capital investment to drive growth in clinical excellence – so that we can have the best health care available anywhere for the markets we serve. Planting and harvesting are about healthy growth. We are about healthy growth.

We look forward to growing with you!

Sincerely,

Roger Leonard
Chairman of the board of directors
Wellmont Health System
Wellmont’s 2014 accolades show ongoing excellence amid change

Dear Wellmont community,

We wish you a happy and healthy start to 2015. There is much to celebrate in the new year – including a number of accolades for our health system. The recognition we garnered throughout 2014, while our system was in the midst of change, demonstrates the daily dedication of our medical staff and co-workers.

Bart Hove, interim president and CEO, was elected to the Tennessee Hospital Association board of directors in December. The association’s mission is to lead its members in advocacy for and support of community-based health systems and to help those systems deliver accessible, cost-effective and quality health services. Bart’s leadership on the board will prove invaluable in 2015 as the association navigates Gov. Bill Haslam’s Insure Tennessee plan.

Alice Pope, chief financial officer, was recently named by Becker’s Hospital Review as one of 130 female hospital and health system leaders to know. Pope was the only leader to be selected from the Tri-Cities region. Becker’s noted the new appointees “demonstrate outstanding leadership…and were chosen based on a wide range of management and leadership skills.” During her tenure, Pope has helped ensure Wellmont is a good steward of financial resources as the health care industry continues to evolve.

Wellmont’s accomplishments in 2014 go well beyond our leadership team. Additional awards include:

- Wellmont Medical Associates was named an Acclaim Award honoree by the American Medical Group Association – one of only three organizations nationwide to receive this prestigious honor.
- Our hospitals received gold-level achievement with commendation from our accrediting agency, The Joint Commission.
- Holston Valley Medical Center and Bristol Regional Medical Center achieved the highest tertiary hospital patient safety rankings in the region from The Leapfrog Group for the fall scoring period.
- Our smaller community hospitals are excelling, with Hawkins County being ranked by CareChex, a division of Comparion, as one of the best hospitals in the nation for patient satisfaction and by Becker’s as one of the 43 hospitals with the cleanest patient rooms.

We know the partnership search process remains top of mind for many of you, and we hope to communicate a decision in the first quarter of the year. As we’ve said all along, we’re committed to making this decision correctly, not quickly. Our process and timeline for a decision remain on track as our board continues to review the potential partnership options. Our potential partners represent exceptional opportunities for our system and for the communities we serve.

Thank you for all you do to make Wellmont a trusted place for care in the Tri-Cities. We know 2015 holds great opportunity for our system and our region.
Wellmont board continues to make progress on strategic options evaluation

Dear Wellmont community,

The weather has presented unique challenges the past few days, and as always it gives teamwork within Wellmont an opportunity to shine! Thanks to those who have braved the elements to help co-workers with rides to work and provide other assistance.

It’s been a few weeks since we’ve shared an update on our strategic options process. In the interim, the board has continued to make progress toward a decision and remains focused on determining the right path for Wellmont. As the process has progressed, our No. 1 responsibility has never changed – to make the best decision for Wellmont and the patients we serve. The significance and complexity of this decision cannot be overstated, and as we’ve said all along, the board is committed to making this decision correctly, not quickly.

During our many conversations inside and outside Wellmont, we’ve continued to hear that maintaining access to affordable, excellent care close to home is what matters most. The board is keeping this at the forefront as it continues to review all of the data and discuss Wellmont’s options. Besides keeping the input of our employees, physicians and community top of mind, the principles we articulated at the beginning of this process continue to guide our decision. Those principles include:

- Commitment to our mission, vision and values
- A standard of exceptional clinical care
- Financial strength to invest in Wellmont’s people, medical equipment, technology and facilities
- Experience and expertise to develop new ways of offering care so we can help people when they are sick, but also help them stay well
- Commitment to a robust physician network and physician leadership today and tomorrow
- A good employer, committed to growth of our system and investment in our region
- A good citizen with a strong vision for the importance of philanthropy and the stewardship of donated funds

We’ve said we hope to communicate a decision sometime in the near future, and that’s still accurate. Your patience, support and input are greatly appreciated, and we look forward to sharing more with you soon. We continue to be excited about the possibilities for Wellmont’s future.
Answering Your Questions

Recently, Wellmont Health System and Mountain States Health Alliance announced historic plans to explore the creation of a new, integrated and locally governed health system. Since that time, we have been overwhelmed by the terrific support and interest in what we are pursuing together.

We have also received a number of important questions asking why this is happening and what it means for our hospitals, physicians, team members and communities.

We are committed to answering as many of those questions as we can and to being as transparent as possible as our organizations pursue the work ahead. That’s why we have created a couple of sources to accomplish that:

1. The Better Together newsletter – This newsletter will be sent out periodically to physicians and team members at both organizations, along with others in our community who sign up. It will have the latest information, address questions, and feature voices from the region. If you have ideas to make it better, let us know. People who are interested in receiving the newsletter can sign up at BecomingBetterTogether.org.

2. BecomingBetterTogether.org – We recently launched a website solely dedicated to providing the public with information about our shared vision to address the health issues that affect our region. There, we will provide updates about our efforts to unite our organizations. We encourage you to visit this site to learn more, submit questions, and stay
up-to-date with the latest information – for example, we recently announced the members of our Integration Council, which is charged with overseeing planning for the proposed merger.

Wellmont and Mountain States are committed to this process of exploration into creating a new, integrated system that will help make our region healthier while controlling costs and making healthcare more affordable.

Thank you for your interest and support. Many of you have taken the time to share your thoughts and ask important questions – it’s clear that you care about the future of healthcare in our region just as much as we do.

Our Vision

To learn more about our shared vision for the future, view this new video below featuring Bart Hove, president and CEO of Wellmont, and Alan Levine, president and CEO of Mountain States.

Questions of the Week

In each newsletter, we will answer a couple of the hottest questions. For more answers, please go to our website, which will be updated frequently.
“Will the community be able to provide input regarding the new name of the future organization?”

Yes! As we explore creating a new, locally governed health system, we want to be sure the community – along with our own team members and physicians – has input in shaping it. We are not quite ready to begin the process of naming or branding, but stay tuned for how to chime in.

“How will employee benefits be impacted (retirement, health insurance, PTO, pension plan, etc.)?”

We understand how important these types of questions are. Today, we are still very early in exploring the specifics of what our future organization will look like.

What we can tell you today is that we would aspire to be one of the best healthcare employers in the country. Together, we would nurture a culture that promotes employee satisfaction and opportunity for professional growth. We promise to share more information when we are able.

“Won’t we lose competition by combining Mountain States and Wellmont?”

Actually, with this merger, our patients and our region will have access to more choices and healthcare options than they do today. By combining our resources, we can draw more specialists and add new services for which people now have to drive hours to find. In addition, this potential new organization would involve the institution of a Certificate of Public Advantage or COPA, which establishes enforceable commitments to guard against effects from any loss of competition. A COPA will mean that the health system must meet commitments in driving down unnecessary costs, keeping care affordable, improving quality of care, enhancing access and benefiting the communities we serve. Learn more about the COPA process here.
Have a question? Submit it by clicking here, or to this email address: info@becomingbettertogether.com.
Thank You

Welcome to the second edition of the Better Together newsletter. We received great feedback on our first edition, which can be read here. We’ll continue to provide regular updates on our process through this newsletter, our website – BecomingBetterTogether.org – and in other ways. Many of you have also visited our Q&A page to read the latest questions and answers or to ask your own question. We hope you’ll continue to do so moving forward.

News and Updates

Our process to explore a potential merger is on track, and we want you to be the first to know an important update. When we made our announcement last month, we shared that a Joint Board Task Force would be created to act as a governing body of the process as we conduct due diligence, move toward a definitive agreement, and then move toward seeking regulatory approvals for the potential integration of our two organizations. This task force will be composed of members appointed by the current boards of Wellmont and Mountain States, as well as the CEOs of the two systems. Today, we’re excited to announce the following members of the task force.

From Wellmont:
• Dr. Nelson Gwaltney, of Bristol, Tennessee, a member of the Wellmont board of directors, president of Highlands Physicians Inc. and a general surgeon on the medical staff of Bristol Regional Medical Center

• Bart Hove, of Kingsport, Tennessee president and CEO of Wellmont Health System

• Roger Leonard, of Bristol, Tennessee, chair of the Wellmont board of directors and a senior adviser to England & Company

• Roger K. Mowen Jr., of Kingsport, Tennessee, a member of the Wellmont board of directors and retired senior vice president of global developing businesses and corporate strategy for Eastman Chemical Company

• Dr. Doug Springer, of Kingsport, Tennessee, a gastroenterologist on the medical staff of Holston Valley Medical Center, a member of the Wellmont board of directors and immediate past president of the Tennessee Medical Association

• Dr. David Thompson, of Bristol, Tennessee, an internal medicine physician with Wellmont Medical Associates in Bristol, who also practices in Abingdon, Virginia, and is a Wellmont board member and chairman of the Wellmont Medical Associates board of directors

• Keith Wilson, of Kingsport, Tennessee, who owns a secondary residence and a farm in Scott County, Virginia, a member of the Wellmont board of directors, publisher of the Kingsport Times-News and president of Northeast Tennessee Media Group

From Mountain States:

• Barbara Allen, of Johnson City, Tennessee, chair of the Mountain States board of directors and general manager of Stowaway Storage, a family-owned business in Johnson City
• **Bob Feathers**, of Kingsport, Tennessee, a member of the Mountain States board of directors and president and CEO of Workspace Interiors, Inc.

• **Alan Levine**, of Johnson City, Tennessee, president and CEO of Mountain States Health Alliance

• **Dr. David May**, of Elizabethton, Tennessee, a member of the Mountain States board of directors and immediate past president of the medical staff at Sycamore Shoals Hospital

• **Dr. Rick Moulton**, of Johnson City, Tennessee, medical director of clinical integration for State of Franklin Healthcare Associates and chairman of the SoFHA patient centered medical home committee

• **Gary Peacock**, of Marion, Virginia, a member of the Mountain States board of directors, former chair of the Smyth County Community Hospital board of directors, and retired senior vice president of Royal Mouldings

• **Clem Wilkes, Jr.**, of Johnson City, Tennessee, a member of the Mountain States board of directors and co-manager of Citizens Investment Services, a subsidiary of Citizens Bank Tri-Cities

[Learn more about the Joint Board Task Force »](http://www.becomingbettermtogether.org/newsletter2.htm)

The Integration Council, which was named last month, has begun its work and will make recommendations for consideration by leadership and the Joint Board Task Force. For reference again, below are the members of the Integration Council.

From Wellmont:

• **Eric Deaton**, executive vice president and chief operating officer

• **Alice Pope**, executive vice president and chief financial officer
• Todd Norris, senior vice president for system advancement

• Gary Miller, senior vice president of legal affairs and general counsel

• Dr. Dale Sargent, system medical director for hospitalist services and former chief medical officer

• Dr. Bob Funke, a member of Holston Valley Medical Center’s Physician Clinical Council and former hospital board of directors member

From Mountain States:

• Marvin Eichorn, executive vice president and chief operating officer

• Dr. Morris Seligman, executive vice president and chief medical officer

• Lynn Krutak, senior vice president and chief financial officer

• Tony Keck, senior vice president and chief development officer

• Tim Belisle, senior vice president and general counsel

• Dr. Sandra Brooks, a system board member and vice president of Watauga Pathology Associates

In The News

In case you missed it, here are several recent news articles that may be of interest to you:

• MSHA, Wellmont officials answer viewer questions about merger

• Graduating nurses see opportunity in Tri-Cities health care future
• MSHA/Wellmont merger has support of TN’s largest physicians organization

• Merger will impact ETSU

Thanks to Eastman Chemical Company and the president of District 5 of the Tennessee Nurses Association (which represents our region) for their positive comments and support of our process and vision.

“Eastman supports the decision to unify the systems in an effort to improve the quality and affordability of and access to health care in the region.”

CeeGee McCord, Eastman Chemical Company; Source: Kingsport Times-News

“The Tennessee Nurses Association embraces the decision as one that will improve the quality of health care in our region, control spiraling costs, and better address the chronic health care issues facing this state.”

Teresa A. Martin, MSN, FNP-BC, District President, on behalf of District 5, Tennessee Nurses Association; Source: WCYB

Questions of the Week

In each newsletter, we will answer a couple of the hottest questions. For more answers, please go to our website, which will be updated frequently.

“Are there plans to close one of the two hospitals in Norton, Virginia?”
A: There are no plans to close any hospitals. The services and programs offered by both organizations through our hospitals and other locations are always evolving in ways that reflect the input of our physicians and the needs of our patients. Long-term, the new organization will conduct a comprehensive health needs assessment to identify opportunities for new community-based resources and possibilities that don’t exist today for our employees and communities.
“How does this decision impact ETSU?”
A: We believe our proposed new organization would positively impact East Tennessee State University and other academic institutions, as it would allow us to further advance clinical education in the region and to be more competitive in pursuing research dollars currently flowing elsewhere nationally. In fact, the president of ETSU will also serve as an ex-officio member of the new system’s Board.

Both Mountain States and Wellmont have been forced to reduce residency positions in recent years. We believe this partnership can help reverse that trend. We would partner with ETSU and others to strengthen the pipeline of physicians and allied health professionals and to attract research jobs and investments in our region. In addition, ETSU would help to conduct a substantial comprehensive regional health needs assessment to address health gaps and disparities, which will help shape the future direction of the potential new system and establish its priorities.

“What EHR system will be used by the combined entity?”
A: That is a major decision that has both strategic and clinical implications, and no decisions like this would be made until after the transaction closes (expected no earlier than the end of 2015). We will include significant input from our physicians before making any major decisions that will impact clinical care. What we do know today is that our combined organization would have a single EHR platform to ensure our facilities and providers work as seamlessly as possible with each other. We promise to share more information as soon as it’s available.

Have a question? Submit it by clicking here or to this email address: info@becomingbettertogether.org.
Wellmont, Mountain States to Seek Public Input on Key Health Issues

Welcome to a special edition of the Better Together newsletter. We have an exciting update to share and wanted you to be among the first to know.

Mountain States Health Alliance and Wellmont Health System officials are creating four community work groups designed to provide public input as the two organizations continue to explore the creation of a new, integrated and locally governed entity. Learn more »

The work groups will provide input in solving some of the region’s most challenging health issues:

- Mental Health and Addiction
- Healthy Children and Families
- Research and Academics
- Population Health and Healthy Communities

Through BecomingBetterTogether.org, we invite the community as well as subject matter experts such as nurses and other health...
professionals, doctors, public health officials and community advocates to
get involved in these four work groups.

The work groups will:

• Begin meeting in July and continue through the end of the year.

• Hold public meetings throughout Northeast Tennessee and Southwest
  Virginia to seek community input.

• Be led by a subject matter expert and include members from throughout
  the region who represent a broad variety of experience and perspectives.
  The group members will be determined soon.

• Be staffed by members of Mountain States and Wellmont along with
  master’s and doctoral level students from East Tennessee State
  University.

• Provide regular updates as well as final findings to the Integration
  Council, a group of executive and physician leaders from both systems
  who are overseeing the analysis and making preparations for the
  integration of the proposed combined system.

The work groups’ findings will be used by East Tennessee State University
as part of a deep-dive health needs assessment that will be conducted after
the proposed merger between Mountain States and Wellmont is complete.
That assessment will provide a road map for the proposed new
health system as it lays out a 10-year plan to improve community
health.

Our organizations have committed to an open process as we
consider the creation of a truly new health improvement organization for
our region. These work groups provide a great opportunity for
interested organizations and individuals to participate with us as
we develop our strategies for improving the health of our area.
Visit BecomingBetterTogether.org to learn more about how to get involved. In the coming weeks and months, the website will be updated to include the latest work group news, meeting schedules and more.

As always, if you have questions or thoughts to share, let us know.
Welcome to the third edition of the Better Together newsletter.

Wellmont Health System and Mountain States Health Alliance continue the work of exploring our proposed future organization. Here are several updates:

- **COPA legislation:** On May 18, Gov. Bill Haslam, R-Tenn., signed a bill amending the state of Tennessee’s Certificate of Public Advantage (COPA) statute. We supported this legislation, and applaud the governor for signing it. This statute provides guidelines to ensure that mergers, like the one we are exploring, provide for high quality, cost effective health care. The COPA will represent an agreement between our new system and the state of Tennessee, and compliance with the content of the agreement will be actively supervised by the state.

- **Nurse involvement in our planning efforts:** We’ve received several thoughtful questions through the Better Together website regarding the involvement of nurses in the planning efforts for the proposed new organization. See this week’s “Questions of the Week” below. Our nurses are a vital part of both organizations and will be critically important in our proposed future organization as well. There will be a number of ways nurses and team members from both organizations will be heard through this process, and we’ll keep you updated of these opportunities along the way.
• **iPad mini giveaways:** Congratulations to Beverly Stephens and Mike Housewright! Beverly won an iPad mini after entering the drawing at our Better Together booth during the Leadercast event in Kingsport, and Mike won an iPad mini after entering the drawing at the Tennessee Valley Corridor Summit at East Tennessee State University. Enjoy!

## Community Support

We thank the Chambers of Commerce of Kingsport, Bristol and Johnson City / Jonesborough / Washington County for their recent letter of support for our proposed merger. The Chambers have invested a lot of time, on behalf of their hundreds of member businesses, learning about the possibilities for our region with the proposed merger. The support of the business community, which pays much of the cost of health care in our region, is critical to the success of the proposed new organization. The [letter can be read here](http://www.becomingbettertogether.org/newsletter3.htm). Here is a brief excerpt:

“The Chambers of Commerce ... endorse the proposed merger of Wellmont Health System and Mountain States Health Alliance to an integrated single system. We believe this offers the best opportunity for the betterment of our region's healthcare.”

*The Chambers of Commerce of Kingsport, Bristol and Johnson City / Jonesborough / Washington County*

Additionally, we want to thank Dr. Doug Springer of the Tennessee Medical Association for his statement of support:

“Combining strengths, assets and liabilities would enable these systems to focus more on quality, population health management, mental health programs and other services benefiting the entire region.”

*Douglas J. Springer, MD, immediate past president of the Tennessee Medical Association*
Questions of the Week

In each newsletter, we will answer a couple of the hottest questions. For more answers, please go to our website, which will be updated frequently.

“Will nurses be involved in the planning efforts for the proposed new organization?”
A: Yes, absolutely – there will be a number of ways nurses from both Wellmont and Mountain States will be heard through this process. In fact, we won’t be successful in accomplishing what we hope to do without the support and input of our nurses. As the Integration Council continues to progress, it will activate functional teams that will provide recommendations related to the operations of a merged system. We will want nursing to be well represented and active on these teams, which will focus specifically on areas like clinical operations, academics and research, and population health.

Throughout this process, we encourage nursing leadership to stay closely in touch with hospital leadership to communicate questions and thoughts from nursing staff. Meanwhile, we will continue to seek the input of our team members in a variety of ways, including our Better Together website, our newsletter, internal and external town hall meetings, and more. We recognize the vital role our nurses play every day but especially in shaping the future of our proposed new system, and we’re committed to keeping our nurses updated on any opportunities to be involved.

“What are the plans for the future of pediatrics care?”
A: We see great opportunity to enhance and expand access to pediatric services through our proposed merger across the region. What that looks like specifically is part of the planning work ahead as we first identify gaps in what our communities need versus what either of our organizations offer today and can improve through the proposed merger. We look forward to sharing more information as our planning efforts unfold.

Have a question? Submit it by clicking here or to this email address:
info@becomingbettertogether.org.
Wellmont and Mountain States continue to make progress on exploring the creation of a new, integrated and locally governed health system.

Over the past few months, we’ve been humbled by the outpouring of support we’ve received from the community.

It’s exciting to see that so many people in our region believe in the vision of our proposed future health system and the benefits of a local solution to tackling our regional health care needs. In fact, we’ve had more than 10,000 unique visitors to BecomingBetterTogether.org. We want to thank you for your thoughtful questions and support for this potential new health system.

Additionally, we’ve received numerous public statements of support from community and business leaders, academic leaders, elected officials and more, such as East Tennessee State University, the local Chambers of Commerce, Eastman Chemical Company and the Tennessee Medical Association. You can view the latest media clips, including supportive op-eds and letters to the editor, here.
News & Updates

Community Health Work Groups Initiative
This month, we launched the community work groups initiative in partnership with ETSU as a way to gain public input in developing a 10-year health improvement plan for the region. These groups, led by subject matter experts, will continue to meet throughout Northeast Tennessee and Southwest Virginia through the end of the year. We are very encouraged by the almost 100 community members who joined us in both Elizabethton and Abingdon to kick off this important work.

Visit BecomingBetterTogether.org to learn more about how to get involved and to RSVP for an upcoming meeting near you.

Proposed Merger Progress
We continue to pursue due diligence and other important steps toward a potential agreement to combine the health systems, including measuring the likely cost and quality benefits, determining the structure of the proposed system and engaging with key stakeholders such as employees, physicians and the community to understand what’s important to them regarding the proposed system and our vision for the future.

There are several upcoming milestones in the process to finalize our proposed partnership.

- This fall, we expect to execute a Definitive Agreement (DA) between our two organizations, which is the next step in the process toward seeking government approval to merge.
- With that in mind, we will also file a Letter of Intent (LOI) to the Department of Health in Tennessee, which is a required first step before we submit a COPA (Certificate of Public Advantage) application in Tennessee.
- There is still a lot of work ahead, and we’re committed to keeping you informed of the progress we’re making. We’ll continue sharing news as we have it in a variety of ways, including through updates to BecomingBetterTogether.org.
Finally, in case you missed it, Bart Hove, president and CEO of Wellmont, and Alan Levine, president and CEO of Mountain States, answered viewer questions about the proposed merger on WJHL Monday. See what they had to say here.
Wellmont, Mountain States Announce Community Health Work Groups Meeting Dates and Chairs

Earlier this summer, Wellmont Health System and Mountain States Health Alliance announced an exciting new initiative to seek the public’s input as the organizations work together to try to solve some of our region’s most important health issues: Mental Health & Addiction; Healthy Children & Families; Research & Academics; and Population Health & Healthy Communities.

We are overwhelmed and excited by how many people in our community expressed interest in getting involved in this important discussion – over 100 people signed up to participate through our website.

Today, we’re excited to share the next steps in this initiative. Several local community leaders have been selected as chairpersons to lead the work groups, and the first of a series of community meetings have been scheduled.

Eight community leaders have agreed to serve as chairpersons of the four work groups:
• **Mental Health & Addiction:** Dr. Teresa Kidd, president and CEO of Frontier Health, and Eric Greene, senior vice president of Virginia services for Frontier Health;

• **Healthy Children & Families:** Dr. David Wood, chair of the department of pediatrics at East Tennessee State University and chief medical officer of Niswonger Children’s Hospital, and Travis Staton, CEO of United Way of Southwest Virginia;

• **Population Health & Healthy Communities:** Dr. Randy Wykoff, dean of ETSU’s College of Public Health, and Lori Hamilton, RN, director of healthy initiatives for K-VA-T Food City;

• **Research & Academics:** Dr. Wilsie Bishop, vice president for health affairs and chief operating officer of East Tennessee State University, and Jake Schrum, president of Emory & Henry.

**Additionally, the first two community round table meetings will take place on August 13th and 20th:**

• **August 13, 5:30 – 7:30 p.m.**
  Tennessee College of Applied Technology
  425 TN-91, Elizabethton, Tenn.

• **August 20, 5:30 – 7:30 p.m.**
  Southwest Virginia Higher Education Center
  One Partnership Circle, Abingdon, Va.

We hope you will join us for one of these meetings, as well as future meetings as they are scheduled throughout Northeast Tennessee and Southwest Virginia. If you plan to attend, we ask that you submit a quick RSVP online. Your RSVP is encouraged but not required.

Wellmont and Mountain States continue to explore the creation of a new, integrated and locally governed health system designed to be among the best in the nation. The discussions to occur and the findings of the
community health work groups will be incredibly valuable as we plan for a bright future for health care in our region.

Visit BecomingBetterTogether.org to stay up to date on the latest news regarding the work groups, the proposed merger and more.
Wellmont, Mountain States Take Important Next Steps in Proposed Merger Process

We have an update to share and wanted you to be among the first to know. **Wellmont and Mountain States have filed a letter of intent (LOI) with the Tennessee Department of Health**, indicating we will submit an application for a Certificate of Public Advantage (COPA) this fall. **In Virginia, we have submitted a similar letter of intent with the Southwest Virginia Health Authority**, signaling our intent to request approval by the commonwealth of the anticipated cooperative agreement between the two systems.

These important filings show **we are moving forward** with the state regulatory approval processes, but we still have many more steps to complete in the coming months.

A COPA in Tennessee and the cooperative agreement approval process in Virginia will allow Wellmont and Mountain States to merge, with the states actively supervising the proposed new health system to ensure it complies with the provisions of the COPA intended to contain costs and sustain high quality, affordable care.

**We appreciate the great work of the officials in both states as they create the guideposts that will oversee our proposed**
**merger.** Tennessee’s Department of Health recently released interim regulations governing COPAs in Tennessee, and Virginia’s Department of Health is finalizing rules to oversee similar cooperative agreements in that state.

Next, the two organizations will finalize a definitive agreement, which is another formal step in the process to solidify the proposed partnership. The date for expected completion of the merger has not been set but will not occur before state approval has been granted.

We’re encouraged by our great progress. **In fact, the more we work together, the more excited we become about building a new approach to health care in our region.** We promise to keep everyone informed as we reach coming milestones.

Read the [news release here](#) and [view the LOIs here](#).

**Community Support Continues**

We want to thank everyone for the support we’ve received in recent months. Earlier this month, a group of 25 physicians, community members and business leaders attended a meeting hosted by the Virginia Department of Health to express their opinions on the proposed regulations as well as their support for the proposed merger.

**Here is what a few attendees had to say:**

• “Leonard Companies has been doing business in Southwest Virginia for 61 years. As business people and citizens of the area that will be affected we support the merger of these two health care systems. We believe that this consolidation will assist the five-state region by enhancing quality physician recruitment, provide a broader array of medical specialists available to the rural communities of our area, and assist in much needed economic development for the region.” - **Dave Leonard, II, vice president, Leonard Land and Livestock**
• “A properly regulated environment will allow the entities to bring high quality healthcare to the people in our region at an affordable cost. This is a unique situation that will help ensure the future of healthcare in Southwest Virginia.” - Martin Kent, president and chief operating officer, The United Company

• “My Chamber of Commerce represents hundreds of businesses. One important factor in having a healthy and thriving economy is having a healthy community. Mountain States Health Alliance and Wellmont Health System are working on a proposed merger. Providing affordable, high-quality healthcare with broad access is the vision. Healthcare is complicated and the regulations...will give these two organizations the ability to become a single entity with one goal: making the people in our region healthy.” - Beth Rhinehart, president and CEO, Bristol, Tennessee and Virginia Chamber of Commerce

• “I see every day how healthcare is changing. I support the proposed merger...because in today’s complicated and rapidly changing healthcare landscape it’s important to look for ways to improve care and keep costs down.” - Skip Skinner, executive director, LENOWISCO

• “As a physician, I have seen many changes in healthcare both locally and across the country, many of them driven by regulatory reform. The ... legislation passed in Virginia last year was an important step towards ensuring healthcare remains available to people in our area and that costs remain competitive. The proposed merger between Wellmont Health System and Mountain States Health Alliance is just one example of what can be achieved under the enabling legislation and a sound regulatory environment.” - Dr. Maurice Nida, Norton, Virginia physician with Wellmont Medical Associates

These are just a few of the voices of the many local people and organizations that have expressed support for what Mountain States and Wellmont are working to accomplish through the proposed merger.

These expressions of support are the latest in a series of positive statements
from our community, which has included East Tennessee State University, the local Chambers of Commerce, Eastman Chemical Company and the Tennessee Medical Association. Additionally, you can view the latest media clips, including supportive op-eds and letters to the editor, here.

Visit BecomingBetterTogether.org for the latest news and updates.
Wellmont, Mountain States Share Exciting Commitments to Improve Region’s Health

Today, we’re excited to share a public report proposing important commitments about how we will operate and uniquely serve our community as a new health system. This report is the result of more than nine months of extensive work by physician leaders, board members and executives from Wellmont and Mountain States, and hundreds of conversations with people all across our region about the area’s critical health needs and how best to address them.

The report describes our commitment to make a series of transformational investments to improve health in the region. These investments will be achieved through financial efficiencies gained through the proposed merger and the proposed new health system’s commitment to reinvest those savings for community benefit and health improvement.
The report outlines important commitments to positively impact health care and economic development in the region as a combined system in six key areas:

- **Improving Community Health**
- **Enhancing Health Care Services**
- **Expanding Access and Choice**
- **Improving Health Care Value: Managing Quality, Cost and Services**
- **Investing in Health Research and Graduate Medical Education**
- **Attracting and Retain a Strong Workforce**

The pre-submission report is the latest step in the process for the proposed merger of the two health systems. Next, we expect to file applications for a COPA in Tennessee and a cooperative agreement in Virginia in late January after a period of public comment on the report. The applications will initiate the state review process, which is expected to extend into the late summer of 2016.

Since we announced our proposed merger in April, we have been grateful for the outpouring of support we have received throughout the region. As we move forward, we'll continue to provide updates in a variety of ways.

Know that we remain committed to the creation of a brand new health system designed to meet the unique needs of our region, both today in the future. In fact, the further we move down this path, and as additional details of what we’ll be able to achieve together are clarified, the more excited we are about this innovative vision.

Our region has a once in a lifetime opportunity to create a lasting legacy of improved health by pursing a merger between Wellmont and Mountain States. With the approval of the states under a COPA in Tennessee and a cooperative agreement in Virginia, the savings realized by reducing
unnecessary duplication and improving coordination will stay within the region and be reinvested in ways that benefit the community substantially.

To learn more, please visit BecomingBetterTogether.org to review the commitments, download the full report, and provide your thoughts and feedback.
Mountain States, Wellmont File State Applications and Sign Definitive Agreement

Mountain States and Wellmont have taken the next important steps in our path to bring our two organizations together. Today, we filed applications for a Certificate of Public Advantage (COPA) in Tennessee and a cooperative agreement in Virginia. The boards of directors of both systems have also unanimously approved and signed a definitive agreement.

These official filings launch the regulatory review and approval stage in Tennessee and Virginia, which is expected to extend into the late summer of 2016 but may take longer depending on the review processes in both states.

These applications are intended to meet each state’s requirement to thoroughly address important topics, including an overview of each system as it operates today, the proposed system’s service area, proposed organizational structure, financial data, commitments to improve the health of the region as well as expand access and choice and more. Much of this detail has already been communicated to the public in various other ways, including the pre-submission report, which we introduced in early January.

The definitive agreement is a binding legal document that outlines how the two health systems would unite our operations upon approval by the
states. It is an important step but is not the final step in the process to come together.

**The path we are pursuing demonstrates our commitment to building a new and unique approach to health care in the region that includes:**

- Continued local governance
- Integrated health care delivery for our residents in a high-quality and cost-effective system
- Enforceable commitments to limit pricing growth
- Keeping hundreds of millions of dollars in the region that will be invested in efforts to improve the health of people in the region while preserving local jobs
- Active supervision by the State of Tennessee and the Commonwealth of Virginia

With our applications, we submitted nearly 60 letters from employers, community organizations, and other leaders from across the region, who fully support the path we are pursuing. We’ve also heard from hundreds of community members since last April through our community health works groups, Better Together website, and more, who have told us what matters to them as we create a health care system uniquely designed for our region.

As there have been throughout this process, there will continue to be many opportunities for the public to provide input. For example, the state of Tennessee will hold a series of public meetings to discuss the proposed merger during the coming months; Virginia also has a public meeting requirement.

Over the coming months, the Joint Board Task Force will continue to oversee work on plans for integrating the two organizations’ operations, cultures and shared vision while health system officials continue their dialogue with state officials. Under terms outlined in the definitive agreement, we have expanded the Joint Board Task Force to include two
new community members and the president of East Tennessee State University. Joining the task force are Dr. Brian Noland of ETSU, David Golden of Eastman Chemical Company and Scott Niswonger of Landair Transport, Inc., and the Niswonger Foundation.

Thank you for your continued support and excitement about our innovative vision. We are thrilled to continue moving forward.

Visit www.BecomingBetterTogether.org to review our state applications and the definitive agreement, our commitments to the community outlined in the pre-submission report, and more.
We have exciting news we want to share with you.

This afternoon, the Southwest Virginia Health Authority voted to deem our application for a cooperative agreement complete, which advances the proposed merger of Mountain States Health Alliance and Wellmont Health System to the next step in Virginia.

This officially "starts the clock" on Virginia's review of the merits of our application. Each state, once the application is deemed complete, has a specific number of days to evaluate and either approve or deny our proposed merger. The next step in Virginia is for the health authority to recommend to the Virginia Department of Health whether the cooperative agreement application should be approved. Our organizations look forward to working further with the Authority and Department of Health in Virginia as the process continues.

We are continuing our work with the Tennessee Department of Health on our application for a Certificate of Public Advantage (COPA) and we hope our Tennessee application will also be deemed complete in the near future.

As we continue to achieve important milestones in the process to come together, there is still much work to be done prior to integrating our two systems and we continue as competitors until final approval in each state. In addition to working with officials in Tennessee and Virginia as they review our applications for a Certificate of Public Advantage and
cooperative agreement, we are accelerating the work of our functional teams. These functional teams include members from both Mountain States and Wellmont and focus on assessment, policy development and planning for the new health system to ensure an effective integration.

We appreciate all of the feedback and thank everyone for the support we've received at public hearings, in written comments and in conversations within the community.

Over the coming weeks there will be additional opportunities to provide your thoughts in both Tennessee and Virginia. Those dates are available online at www.BecomingBetterTogether.org as they are made public.
We have some great news to share with you today.

Our proposed merger has achieved another milestone in the approval process, which is the deeming complete of our Certificate of Public Advantage (COPA) application in Tennessee. This puts us in a 120-day formal review phase with the Tennessee Department of Health, during which officials will evaluate the merits of our proposal and continue to gather additional input from stakeholders.

As we shared in our last update, the Southwest Virginia Health Authority deemed our Cooperative Agreement application complete on Aug. 26, starting a 150-day review in the commonwealth. We are pleased to reach these milestones and look forward to the next steps toward bringing our organizations together as one.

One very exciting step in that process is the selection of the new name we will use as a merged organization if state officials grant permission to move forward. This week, our CEOs sent out a message to team members inside Wellmont and Mountain States announcing our new name, and we want to share that message with you too. Thank you so much for your continued support.

Dear colleagues:
As you know, we have been engaged in the activities necessary to bring Wellmont and Mountain States together as a new health delivery system. I couldn’t be more proud of the work so many people are doing in order to ensure success with this transition. And I’m talking about you.

Each day, you come to work. The first thing you do is you listen. You listen to your patients explain how they feel. You listen to your colleagues when they give you reports. You listen to the sounds of monitors, and you listen when a patient calls. Each day, with each human transaction you engage in, you participate in the story of that person’s life.

What a special thing. Which brings me to our region.

Like no other, our region’s history is deeply lived through our stories and our music. We never run from challenges; we embrace them, together. Our passion is to understand the unique story of each person’s health and well-being and to contribute our part. Together, Wellmont and Mountain States, as a new health system, will prove good health is achievable by truly hearing each person’s story, and by listening.

And so, today, I’m privileged to be able to share with you an important decision made last night by our Joint Board Task Force – the group of women and men who will govern our new health system. Defining our culture begins with the name and tag line we attach to ourselves. The name selected reflects the importance of each individual’s life story in the provider-patient relationship and the distinct character and heritage of our region.

Once our merger is approved, Mountain States and Wellmont will become Ballad Health. And our tag line will be, “It’s your story. We’re listening”.

This name and associated tag line reflect the culture of our region, and importantly, the culture we wish to have as a new health system. A culture steeped in focusing on the individual stories of our patients and their families. Think about what a privilege this is... each patient trusts us
with their most important stories, and we get to be in the front row. There is nothing more important than trust in this relationship.

The new name reflects the input received from over 400 local health care consumers, physicians and team members from both health systems. We found the most important attribute local patients look for in their health care provider is, ‘listening to patients and including them in healthcare decisions’ followed closely by, ‘provides the best medical results’ and, ‘takes the time to explain things clearly.’

Good health is about more than health care; it’s about the story of our lives. Recognizing and listening to the unique story of each and every patient will be the hallmark of our new organization. We will give our patients’ stories our undivided attention because we cherish the fact that they are sharing them with us.

With a decision on our new name, the logo and other elements that will form our new brand can be developed. These will be released once our merger is finalized. In addition, work continues on developing our mission and vision statements, as well developing a collaborative process for Ballad Health team members to define the new organization’s values, which will become our guiding principles.

Our new name is deliberately different, and it is bold. Why? Because we want to be a different kind of health system, building on the promises we made when we embarked on this merger journey.

The proposed merger is currently under review by state officials in both Tennessee and Virginia. We are so grateful for all of the feedback and support we’ve received during the dozens of public meetings that have taken place to date. I hope you’ll join me in celebrating the fact that we can now look forward to becoming better together under our new name, Ballad Health: It’s your story. We’re listening.

I’d love for you to see a short video we’ve created to help tell the story of our new name and who we are becoming. It’s posted here.
We Are Making Great Progress

We are excited to share with you today another major milestone in our journey to combine our organizations into one.

The Southwest Virginia Health Authority voted Monday, Nov. 7, to recommend to the Virginia Commissioner of Health that we be granted a cooperative agreement. The cooperative agreement is a required step in the Commonwealth of Virginia, and the Health Authority’s vote is another positive step in our ability to merge and move forward to address the most pressing health needs of our region.

We are extremely grateful to the members of the health authority, who thoroughly reviewed our application, asked thoughtful questions and gathered input from Southwest Virginia residents. Importantly, the health authority has determined our approach will create the public advantage needed to fulfill the commonwealth’s law for granting a cooperative agreement.

We also continue to be immensely grateful for the tremendous community support we have received, as evidenced by the dozens of community members who have taken time to share their perspectives with the Southwest Virginia Health Authority and Tennessee Department of Health in writing and in person at public hearings.

The Virginia Cooperative Agreement application now heads to the Virginia Department of Health, where it will undergo a final review by the Commissioner. Ultimately, approval rests with this department. We will continue to work closely with regulators in the commonwealth as we move
forward with our plan to transform and strengthen health care in this region.

In the meantime, we are also maintaining regular contact with the Tennessee Department of Health officials as they evaluate our application for a Certificate of Public Advantage.

The solutions we have proposed will protect consumers, strengthen health care delivery and produce synergies that will allow us to invest $450 million to substantially improve the quality of life in Southwest Virginia and Northeast Tennessee. We are excited about our continued momentum toward those goals and the opportunity for our region to become a national model for healthy communities.

As always, thank you for your continued support. We look forward to updating you on the next steps in our process.
Wellmont embarks on search for potential merger partner

BY DAVID MCGEE | BRISTOL HERALD COURIER | | Posted: Thursday, January 9, 2014 8:07 pm

In the face of a complex, evolving health care landscape, Wellmont Health System is embarking on the search for a potential merger partner, company officials said Thursday.

The 6,400-employee health system, headquartered in Kingsport, Tenn., plans to hire a national financial advisory firm to review candidates and ultimately make a recommendation, Wellmont CEO Denny DeNarvaez said in a telephone interview with the Bristol Herald Courier.

“The board is launching an aggressive process to assess strategic options for the future that includes the possibility of aligning with another health system,” DeNarvaez said. “We’re just launching it and we don’t have a lot more details.”

Informal discussions began last spring among Wellmont leaders who retained Kaufman Hall, an Illinois-based health care management solutions firm, to determine if it was a good course. That firm began work in July and issued a December report that supported seeking a merger.

Formed in 1996 with the merger of Bristol Regional Medical Center and Holston Valley Medical Center in Kingsport, Wellmont now includes five smaller hospitals, a network of providers and other health care facilities. The not-for-profit chain reported nearly $790 million in revenue in fiscal 2011-12 and net revenue of $39.8 million.

However, Wellmont facilities and physicians provided $77 million in free care, free programs and services and donations. This region has an “extremely low” payment rate among Medicare patients and a high volume of Medicaid and uninsured patients, according to the health system.

“Right now, we’re in a position of clinical strength and relative financial stability,” board chairman Buddy Scott said. “We’re not under pressure to do something immediately. We sought outside advice, spent a great deal of time and put a great deal of work into this. We believe it is in the best interest of the communities that we serve not only continue offering the level of health care we provide, but to see that improve going forward – to seek a potential alignment, but to make sure we do it correctly so it will benefit our communities.”
A special committee of Wellmont’s board is scheduled to meet today to discuss potential advisory firms and could select one, Scott said. The entire process will likely take much longer.

“We’re determined to move ahead deliberately,” Scott said. “But it’s more important it get done right than get it done quickly. We set 2014 as the time to get the work done by our advisers. If it happens sooner rather than later, so much the better. But it will take as long as it takes to do it right.”

The board established seven criteria for any partner, including financial strength, a contribution to long-term economic development and philanthropy, optimizing information and medical technology systems, a robust physician network and recruitment capacity and a “strong commitment” to the same mission and values as Wellmont, Scott said.

“They have to meet our mission, vision and values so culture is very important and probably the thing we will spend the most time having our advisers look at,” DeNarvaez said. “Financial data you can get your hands on, but we will ask them [advisers] to assess the actual culture and what they believe in.”

Wellmont intends to be transparent about the process, but some parts may remain confidential, she said.

The decision comes as the federal Affordable Care Act begins rolling out – providing health insurance to new patients – at a time when providers face reimbursement cuts, less demand for inpatient hospital care and possible penalties. In addition, neither Tennessee nor Virginia officials agreed to expand their Medicaid programs under the ACA, meaning providers won’t receive federal reimbursement for caring for those patients.

“We’re in tune with what is happening nationwide. We recognize what we have right now is really reimbursement reform, with reductions in reimbursement. We’ve not made the evolution to what is going to happen over the course of the next five to 10 years,” DeNarvaez said.

While Medicaid expansion would be “nice,” the state decisions played no role in Wellmont’s current path, she said.

“Strategically, we’re moving in the proper direction to be able to make that transition, but we’re doing it against the headwinds of these reimbursement challenges that are not going to get any better year over year. Frankly, with the lack of any relief coming in the way of Medicaid expansion, it even exacerbated that issue of what our reimbursement will look like,” she added.

While the search for a partner is being characterized as “possible,” DeNarvaez said it is “highly unlikely” Wellmont won’t eventually merge with some organization.
“We look like a very nice asset for many folks who are trying to grow and trying to develop new markets,” she said. “If you look at Wellmont, you get a value proposition: low cost provider in the region, high quality of care, high service ratings. We’re really proud of those indicators and it will be the job of our financial adviser to not only look for folks who appreciate those, but to find someone also striving in those very same ways. I’d be very surprised if we didn’t come up with folks excited about us and who are driving toward the same excellence that we are.”

Thursday’s announcement was made, in part, to address rumors and misinformation that was causing concern among employees, DeNarvaez said.

“I hope this gives our co-workers more security that we are making this public now. The rumor mill included a lot of false information and things that just weren’t true,” she said. “The reality is, an aligned strategy is going to enhance our position, not take away. … There is no aligned strategy that our employees are not going to be needed.”

DeNarvaez said the public should view this step positively.

“It’s exciting. It gives us a direction that will allow us to do the kinds of activities necessary for us to thrive in the new health care environment,” DeNarvaez said. “Wellmont is not the only one going through this. Most everybody has either embarked on this already or will be embarking on this soon. It will be an opportunity for us to be even stronger.”
Wellmont to explore options for the future, possible affiliation with another system

A major provider of health care in the region is making the way for a new partnership, driven by recent changes to the health care system.

Wellmont Health System CEO Denny DeNarvaez and board of directors Chairman Buddy Scott said Thursday that the board has begun a process to evaluate the possibility of aligning with another health system.

DeNarvaez stressed that the announcement isn’t a sign of financial instability at the seven-hospital not-for-profit, but said sweeping changes to the payment structure of the country’s health care system have driven systems nationwide to consider new partnerships.

“The current climate is the result of a complex set of challenges,” she told members of the media during a called news conference. “I’ve been in health care for many years, and I’ve never seen such a time of unprecedented and rapid change.”

As the implementation of reforms included in the Affordable Care Act steers providers away from the previous fee-for-service model and instead encourages efficiency, systems are seeking partnerships and mergers to share costs.

“As we decide to take this to the next phase, we’re going to be looking at the things we can’t do as independent entity — what can we do if we had a partner?” DeNarvaez said. “If we get to be a bigger size, it would improve our balance sheet, it would increase our (information technology) capability to implement electronic medical records. We don’t have a large population to take on many risks. So that’s what we’re searching for in a partner.”

With a debt load of $500 million and total revenue in 2011 of $736 million, the CEO said Wellmont’s balance sheet is “very healthy,” making it an opportune time for the system to seek a viable partner.

In October, citing decreased reimbursements from the federal government and lack of support from TennCare, lower patient volume and unreliable on-call coverage from physicians, the company closed the 70-bed Lee Regional Medical Center in Pennington Gap, Va.

DeNarvaez said health care industry financial advising firm Kaufman Hall was hired by the board in July to assess the company’s options and reported to the body in December with the recommendation to seek some sort of partnership or affiliation.

The closure of the community hospital was a day-to-day administrative decision, she said, and was not a result of, nor could it have been changed by the firm’s recommendation.

She added that there are currently no specific plans to close any of the system’s remaining facilities, but nothing is certain as the company forges new relationships.

Scott said the ideal partner for Wellmont would be another not-for-profit, but the board will not rule out a profit-driven merger.

A special committee formed by the board of unnamed former board members, community leaders and physicians will explore Wellmont’s options, including potential suitors, and have been asked to have a decision within the year, but Scott said there’s no rush for the decision.
“It’s more important to get it done right than to get it done quickly,” he said. “If it gets done more quickly, so much the better, but we’re not going to rush the process.”
Wellmont Health System Mulls Affiliation Options

Written by Bob Herman | January 10, 2014 | Print | Email

Wellmont Health System, a seven-hospital network based in Kingsport, Tenn., is exploring whether it should affiliate or merge with another organization.

Wellmont Board Chairman Buddy Scott said in a news release the health system "must act now to ensure Wellmont evolves with the rapidly changing healthcare industry." Stagnant Medicare reimbursement rates and high volumes of Medicaid and uninsured patients have forced the system to consider its "strategic options," according to officials. In addition, Virginia's and Tennessee's decisions to not expand Medicaid under the Patient Protection and Affordable Care Act put the system at risk financially.

Officials emphasized the announcement is only the beginning of a process to determine if a transaction is in the system's best interests. Key elements for a potential partner include a strong commitment to Wellmont's mission, financial strength, long-term vision, focus on community benefit, strong health IT systems, a robust physician network, the ability to recruit physicians and efficient supply and purchasing powers.

This past September, Wellmont closed its Lee Regional Medical Center, a 70-bed hospital in Pennington Gap, Va., in part because of Medicare reimbursement cuts under the PPACA.

Wellmont officials did not give a timeframe for how long it would evaluate its options.

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To receive the latest hospital and health system business and legal news and analysis from Becker's Hospital Review, sign-up for the free Becker's Hospital Review E-weekly by clicking here.
With the weight of federal and state regulations getting heavier, the seven-hospital Wellmont Health System has begun a process to explore options, including financial ways to bolster its balance sheet as well as a sale.

The Kingsport, Tenn., non-profit company noted in a Jan. 9 statement that challenges such as keeping current with technological innovations, a growing demand for primary care services and population health management, low patient volumes, reimbursement cuts and possible performance penalties under the Patient Protection and Affordable Care Act are reasons why Wellmont is exploring its strategic and financial options.

Wellmont is getting financial advice from Skokie, Ill.-based Kaufman Hall & Associates, which specializes in helping healthcare companies, the Deal has learned.

"States are cutting back on the amount of financial aid and support for the non-profit hospitals," said Joseph J. DiPasquale a partner at Trenk, DiPasquale, Della Fera & Sodono, P.C., who has worked with a number of nonprofit hospitals on M&A opportunities. "States and municipalities are still having trouble balancing budgets across the country as reflected by recent Chapter 9 bankruptcy filings by Detroit and San Bernardino and downgrading of certain municipal bonds."

Despite the pressures facing the company, Wellmont CEO Denny DeNarvaez said in a statement Thursday that "by pro-actively embarking on this process, we are taking our future into our own hands and creating a stronger health system for the communities we serve."

He added that the 501(c)3-level, tax-exempt Wellmont is a health system is in good financial standing and has the ability to continue operations for the foreseeable future should no transaction surface immediately.

According to Wellmont's Form 990, the annual report filed by all 501(c)3 nonprofit organizations, the company had $691.3 million in revenues and $576 million in liabilities. Some $438 million of the liabilities are classified as tax-exempt bonds. Wellmont listed $939 million in assets.

The health system said all options are on the table, including remaining a standalone operator.
If Wellmont decides to sell, however, the charitable trust that technically owns the hospital could be looking at a payout of between $345 million to $622 million, given past deals in the space that have been done at multiples of between 0.5 to 0.9 times revenues, depending on the improvements the properties need, according to industry sources.

While hospital deals have been lucrative, given that large national players seek regional expansion, the auction process for such facilities can be long. The process may be lengthened if the target is a nonprofit.

"The deals surrounding non-profit hospitals take longer to close due to the public interest, politics, self-preservation of existing boards, state approval, and solicitation process," DiPasquale said. "Because of the revenues and profits that can be generated from cost cuts and acquiring prime real estate in the event the hospitals fail in years to come, there is still a lot of interest in acquiring nonprofit hospitals."

Witness the case of Hackettstown, N.J.-based Hackettstown Regional Medical Center, which has been exploring its options since May 2012, when it hired Cain Brothers to advise.

The hospital, which is a 501(c)3-level organization like Wellmont, has been on the block for more than a year, and bidders for the company were confirmed as early as November 2012.

Morristown, N.J.-based Atlantic Health Systems Inc. confirmed Jan. 10 that it is still in the running for HRMC.

According to reports in the Lehigh Valley Express-Times, St. Louis-based Ascension Healthcare Network and the Hackensack University Health Network were also in the running for HRMC.

HRMC controls just two hospitals in New Jersey, but Wellmont operates seven hospitals and emergency care centers in Tennessee and Virginia, which could attract interest from a broader network of national hospital operators.

Wellmont's Tennessee holdings include Holston Valley Medical Center in Kingsport; Bristol Regional Medical Center in Bristol; Takoma Regional Hospital in Greeneville; Hawkins County Memorial Hospital in Rogersville; and Hancock County Hospital in Sneedville. Its Virginia hospitals include Mountain View Regional Medical Center in Norton and Lonesome Pine Hospital in Stone Gap.

Wellmont officials weren't available for comment Friday, and Kaufman, Hall officials didn't respond to calls.
The Coalfield Progress

Wellmont begins review of entire system

Wellmont Health System announced Thursday the launch of a year-long look at how “Wellmont needs to evolve to thrive in the future.”

Strategic options to be evaluated include “the possibility of aligning with another health system,” according to the Wellmont announcement.

“Well while this is just the beginning of a process and we do not have many specifics today, it is important to be as transparent as possible with all the people who matter to this organization,” Wellmont board chairman Buddy Scott said in Thursday’s announcement.

While hospitals and health systems nationwide face complex challenges, those are multiplied in Northeast Tennessee and Southwest Virginia, Wellmont said, because of extremely low Medicare payment rates and the high volume of Medicaid and uninsured populations. Add to this the recent decisions in Virginia and Tennessee not to expand Medicaid coverage.

“Providers are also struggling with low patient volumes, reimbursement cuts and possible performance penalties under the Patient Protection and Affordable Care Act.”

Due to these challenges, Wellmont said, “it is becoming increasingly difficult for healthcare organizations to continue to operate as they have in the past without adapting to the new healthcare landscape.”

At press time, Wellmont Media Relations Coordinator Jim Wozniak had tracked answers to specific questions relative to Mountain View and Lonesome Pine Hospitals, the Southwest Virginia Cancer Center, physician practices and other Wellmont facilities in Wise County and Norton (See Page 8) but had been unable to determine employee counts.

ALIGNING WITH OTHERS

The challenges ahead have prompted health systems nationwide to undertake the kinds of assessments on which Wellmont has embarked.

According to the announcement, a recent national survey of healthcare leaders found 75 percent of health systems were already pursuing or were considering aligning their organization with another.

Health care systems, the announcement states, “must be prepared for increasing levels of information management and technological innovations, quality mandates, a growing demand for primary care services and population health management to advance the wellness of large groups of patients and reduce their need for inpatient hospital care.”

Denny DeNarvaez, CEO of Wellmont Health System, said in the announcement that Wellmont has “the best interest of our hospitals, physicians, patients and the communities we serve in mind, and we will continue to share information as it becomes available.”

According to the announcement, all of the complicating factors facing the health care industry have made it necessary for Wellmont to improve its financial position by millions of dollars during the next several years. DeNarvaez said Wellmont “is fortunate to be in a position of clinical
strength and relative financial stability.”

Wellmont said it had a community benefit of $94 million in fiscal year 2012, which included $77 million in uncompensated care, as well as free programs and services provided to the community, and cash and in-kind donations to community groups.

“The board and the administration are committed to continue pursuing all internal options to ensure the financial stability of our health system for the future,” DeNarvaez said. “However, by proactively embarking on this process, we are taking our future into our own hands and creating a stronger health system for the communities we serve.”

“As stewards of a valued community resource, our board of directors and leadership team know it is our responsibility to preserve and advance healthcare in our region,” she also said.

Wellmont said a special committee of the board would work with national experts to assess strategic options.

Wellmont addresses local facilities, people

Wellmont Media Relations Coordinator Jim Wozniak addressed specific questions posed relative to Mountain View and Lonesome Pine Hospitals, the Southwest Virginia Cancer Center, physician practices and other Wellmont facilities in Wise County and Norton.

Q: When Wellmont uses the word align, it leaves open many possibilities and that seems the aim in any exploratory undertaking. Everything on the table. Is a full merger among those? An actual sale? Selling off of small hospitals like Lonesome Pine and Mountain View, or facilities like the cancer center and physician practices?

A: Wellmont and its facilities in Wise County are not for sale. One of the major tasks before us is to weigh the advantages and disadvantages of available options—including aligning with another system. There are no forgone conclusions. At this time, we are simply exploring all of our options for the organization’s future.

Q: Could there be closures of small hospitals like Lonesome Pine and Mountain View, or facilities like the cancer center and physician practices?

A: We have no such plans but have to constantly evaluate our operations during times of frequent change in the healthcare landscape. We cannot always anticipate changes that happen at the state or national level such as the Sequester or the failure to expand Medicaid.

Q: Many health care workers already are worried about their futures and their families and friends are, too. People in support roles are feeling the same. In today’s world, there are no guarantees. What are Wellmont leaders in the field — at Mountain View, Lonesome Pine and other facilities — saying to employees to help position them for the uncertainty that will accompany the months ahead until the exploratory process starts bringing certain options into clearer focus?

A: Our primary message to our co-workers is to continue performing their work as they have. As we go through this process, we expect our co-workers, physicians and patients will see no disruption in our day-to-day operations and the way in which we provide care as we work to strengthen high-quality care in our community for the future. Access to patient care services at our facilities will not be interrupted or changed through the evaluation process. This exploration
will not impact co-workers’ jobs or the work they do today. We also will keep co-workers regularly informed about the status of our evaluation.
Wellmont considers partnership
Options could include merger with or acquisition by another health care system

By HANK HAYES
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KINGSPORT — Wellmont Health System announced Thursday it is considering "strategic options for the organization’s future," including the possibility of aligning with another health system.

Wellmont CEO Denny DeNarvaez said the move could go all the way to a merger with or acquisition by another health system.

When asked if Wellmont would consider merging with its biggest rival — Johnson City-based Mountain States Health Alliance — DeNarvaez said the health system will look to a yet-to-be-named financial adviser to help get to a final decision, possibly by the end of 2014.

"It's more important to get it done right, rather than quickly," Buddy Scott, chairman of the Wellmont Board of Directors, said of the decision.

When asked if Wellmont, a not-for-profit health care provider, would consider an alignment with a for-profit system, Scott said: "Our preference is certainly that we would be involved with another not-for-profit system ... (but) part of this evaluation process means we look at all of the options, which would include for-profit as well as not-for-profit (health systems)."

Wellmont noted health care providers are struggling with low patient volumes, reimbursement cuts and possible performance penalties under Obamacare, also known as the Affordable Care Act.

Wellmont also cited "extremely low Medicare payment rates" and a high volume of Medicaid and uninsured populations. Virginia and Tennessee, at this point, have decided to not expand Medicaid coverage.

"It is clear to us that the headwinds of health care get worse as the years go by," DeNarvaez said. "... The reason we’re announcing it today is we’re stable and sitting in a position where we can afford to go out and look for that kind of a partnership that will enhance our position. If we were to wait three, four or five years, that might be a different outcome, but at this particular moment, we don’t have a gun to the head. ... Nothing is going to change day to day. We’re going to keep driving hard."

DeNarvaez said the decision to consider aligning with another health system would have been done even if both states would have approved Medicaid expansion.

In the 2012 fiscal year, Wellmont said it had a community benefit of $94 million, which included $77 million in uncompensated care, as well as free programs and services provided to the community, and cash and in-kind donations to community groups.

DeNarvaez didn’t disclose Wellmont’s net worth, but said the health system has a debt load of about $500 million.

But she also pointed out major bond rating agencies are giving not-for-profit health systems a "negative outlook."

Wellmont said a recent national survey of health care leaders found 75 percent of health systems were already pursuing or were considering aligning their organization with another system.

An outside adviser telling Wellmont to go through the assessment and possible alignment process was Kaufman-Hall, a national financial consulting firm to health care providers. Kaufman-Hall is among the firms vying to be the financial adviser to negotiate an alignment deal, Scott said.

Wellmont said the "guiding principles" that will govern its assessment are:

· A strong commitment to Wellmont’s mission, vision, values and operating philosophy.
· Significant financial strength to advance medical, technological and organizational innovation and to develop new care models for the good of the patients and communities it serves.
A contribution to long-term economic development, the advancement of health care services and employment opportunities in our region.

A strong vision for the importance of philanthropy, good stewardship of donated funds and community benefit.

Optimization of information and medical technology systems.

A robust physician network and physician recruitment capacity and commitment to physician leadership.

An extensive knowledge and resource base to optimize operational, financial, clinical and purchasing systems.

“As we explore potential paths, we have the best interest of our hospitals, physicians, patients and the communities we serve in mind, and we will continue to share information as it becomes available,” DeNarvaez said.

Wellmont employs about 6,400 people in the region.

For more, go to www.wellmont.org.
Wellmont officials: ‘Alignment’ option embraces coming change

By HANK HAYES
hhayes@timesnews.net

KINGSPORT — Wellmont Health System says its decision to consider aligning with another health system has a clear message: Change is good, and change is coming amid a mixed economic environment.

“We purposefully have used the word ‘alignment’ because we don’t have any preconceived notion as to what a partnership might produce,” Wellmont CEO Denny DeNarvaez said during a question-and-answer session with reporters Thursday.

Wellmont, a not-for-profit system, said the alignment decision came after consulting with national health care adviser Kaufman Hall, which has done nearly 180 assessments for other providers over the past 12 months.

But, in recent years leading up to 2013, health care providers haven’t partnered with each other. The American Hospital Association (AHA) says that between 2007 and June 2013, only about 12 percent of community hospitals were involved in a “transaction” — either a merger or acquisition. AHA contends the overwhelming majority of those transactions have been “procompetitive” and support the twin goals of higher quality and more affordable health care.

Nearly all of those transactions have to be reported to the Federal Trade Commission and the U.S. Department of Justice’s Antitrust Division, or might face other scrutiny from state attorneys general, according to AHA.

DeNarvaez said Wellmont’s alignment could involve “clinical integration,” a merger with another system or being acquired by another system.

AHA hailed clinical integration — which enables patients to receive a variety of health services from the same organization — as “the key to real reform” in health care as Congress was passing the Affordable Care Act (ACA) in 2010. Typical Medicare beneficiaries in 2002, for instance, saw two primary care physicians and five specialists, AHA noted.

The association pointed out the clinical integration concept faces antitrust issues.

DeNarvaez said health care providers today are either looking to become bigger and strengthen their market position, or to get ready for risk.

In 2013, Wellmont closed Lee Regional Medical Center in Pennington Gap, Va., but also purchased Wexford House, a Kingsport-based skilled nursing facility.

DeNarvaez stressed Wellmont has “no specific strategy” to close any more facilities in 2014. “We can’t sit here today and say what exactly will happen as we move down the path, (but) we’re going to make every change we need to make and embrace change, ... but at this time there are no planned closures,” she said.

Wellmont, with more than 6,000 employees and more than a half dozen hospitals in the region, has a payroll of more than $300 million, annual revenues above $700 million and total assets topping $1 billion. But the bottom line, said DeNarvaez, has been impacted by ACA, plus the inability of Tennessee and Virginia to expand their Medicaid programs and other factors.

As a result, she pointed out major bond rating agencies are giving not-for-profit health care providers a negative outlook because of their inability to create enough operating earnings in the future.

“Every single element of reimbursement is being challenged and none of it is to increase,” DeNarvaez explained. “When 70 percent plus of your revenue is dependent upon the federal government, the reality is everything they are doing is impacting us. ... Then there is unemployment and (employers’) high deductible plans. They may be sending employees to the (federal health insurance) exchanges (as part of ACA), and all of those activities will not serve us well in reimbursement.”

Tennessee Hospital Association President Craig Becker predicted other hospital systems in the state will take similar action because they need capital to grow.

“It’s pretty definite there’s going to be a lot more consolidation going on because of the ACA and for this state in particular,” Becker said. “Because of the lack of (Medicaid) expansion, Wellmont
is really hit hard because of the number of uninsured (Wellmont said it provided $77 million in uncompensated care during fiscal 2012). ... It’s very difficult to operate up there (in Northeast Tennessee.)

Still, DeNarvaez touted Wellmont as “the low cost provider” in the region with a healthy balance sheet.

An ideal alignment partner, said Wellmont Board Chairman Buddy Scott, would be a system good at information technology, philanthropy and physician recruitment.

Wellmont’s main competitor, Johnson City-based Mountain States Health Alliance (MSHA), had a measured response to Wellmont’s alignment announcement.

“Health systems all over the nation are having to assess their strategic direction given the magnitude of changes being imposed by reductions in Medicare, lack of coverage for the poor and the shift of costs to hospitals that has occurred over the last several years,” MSHA CEO Alan Levine said in an emailed statement. “Responsible organizations are constantly assessing their strategic position, and Wellmont is no different. ... Our strategic direction was determined by our board based upon a strategic planning process that commenced long ago, and we are constantly reassessing our strategy based upon market conditions. Our friends and partners at Wellmont are doing the same, and we are enthusiastic about the future of these two community-based health systems and what they mean to the people in this region.”

DeNarvaez said the alignment announcement quashes rumors of negative change within Wellmont.

“This is exciting. ... We are building and developing a stronger Wellmont,” she said. “Nothing changed as of today. Taking care of patients is our mission and we’re doing it with the best possible quality and compassion. ... The most important work happens at the bedside every single day.”
Wellmont starts search for financial adviser

By Michael D. BRown    Updated 05:45 PM, Jan-16-2014 ET

Nonprofit hospital operator Wellmont Health System is considering three financial advisers to assist the company in finding a partner or buyer.

"We still haven't chosen our financial advisers yet and the RFP is going out tomorrow," said Wellmont president and CEO Margaret DeNarvaez by phone on Thursday about the Friday request-for-proposal deliveries. "Kaufman Hall & Associates] helped us through this first phase to help us arrive at the decision to seek a strategic alignment. They will certainly be included, but we have reached out to two others." She declined to name the others.

Kingsport, Tenn.-based Wellmont said earlier this week that it had started a review of its options, citing impending pressures from Medicare and Medicaid reimbursement rates. Chicago-based Kaufman Hall assisted the company with preliminary strategic review work.

While reimbursement payments are a concern for Wellmont, the seven-hospital system is relatively stable financially.

"We have been doing a good job fiscally planning to see what the next years hold in store for us," DeNarvaez said. "It's not a question of not doing our homework. We are the premier low-cost carrier in the area and really the only one that provides the services we do. We are relatively financially stable and have good cash flows.”

According to Wellmont’s Form 990, the annual report filed by all 501(c)3 nonprofit organizations, the company had $691.3 million in revenue and $576 million in liabilities in 2013. Some $438 million of the liabilities are classified as tax-exempt bonds. Wellmont listed $939 million in assets. Another positive for Wellmont and its potential advisers is the recent implementation of the Epic Systems Corp. electronic medical records system.

Synergies with larger hospital operators that use EMR systems can a make or break potential acquisitions, since implementing a new system is a costly but necessary step to aligning with partners, according to industry sources. Epic Systems is one of the largest EMR systems and used by a number of national hospital operators, including Franklin, Tenn.-based Community Health Systems Inc. (135 hospitals); Nashville-based HCA Healthcare (162) and Brentwood, Tenn.-based Capella Healthcare Inc. (14).
For example, Community Healthcare and its most recent acquisition target, Naples, Fla.-based Health Management Associates Inc., both use Epic Systems' EMR.

While the installment of an EMR system bodes well for Wellmont's chances at finding a buyer or partner, the system's costly implementation has been a burden to some hospitals.

In November, Standard & Poor's downgraded Wake Forest Baptist Medical Center in Wake Forest, N.C., and Greensboro, N.C.-based Moses Cone Memorial Hospital to a "negative" outlook due, in part, to expenses relating to installing Epic's systems. Moses Cone, in particular, said it spent $130 million to purchase, implement and maintain their new Epic infrastructure.

Wellmont, however, hasn't had these financial issues with its EMR system, which is expected to go live across the entire Wellmont network on March 29. DeNarvaez, the former CEO for St. John's Mercy Health Care in St. Louis who joined Wellmont in 2010, said the implementation cost Wellmont about $100 million — with about $45 million funded with existing cash flows and the rest with a low-interest line of credit.

"We have been in a turnaround position for a couple of years now, not just financially but also in getting ourselves up to speed technologically," she explained. "The great part about this process is that we have not had to dip into earnings, and we have been able to live off our operating income."

In addition to a new EMR system, Wellmont also boasts Level 1 and Level 2 trauma centers at its flagship Kingsport and Bristol, Tenn., hospitals, as well as state-of-the-art care in oncology, cardiology and senior care. "Those [Kingsport and Bristol] centers are going to be a real 'aha moment' for [potential suitors] once they do a deep dive," DeNarvaez said. "We also recently acquired a 174-bed nursing home in Kingsport that can cater to high-tech needs that most facilities haven't adapted to yet. I think people will be impressed with our level of sophistication."

On Dec. 4, Wellmont announced it had acquired the Wexford House, a skilled- and long-term-care nursing facility serving the Kingsport area. Terms were not disclosed.

Wellmont hasn't set a timetable to complete its strategic review, but said that it would be prudent in its vetting process to find the best outcome. "There is no gun to our head," DeNarvaez said. "We want to do it right."
In need of financial stability, Wellmont Health System is reviewing its options, including possibly aligning with another health system.

Wellmont Health System is looking for a partner.

The Kingsport, TN-based health system, with seven hospitals serving Upper East Tennessee and Southwest Virginia, announced this month that it has "launched a process to evaluate strategic options for the organization's future, including the possibility of aligning with another health system."

Wellmont CEO Denny DeNarvaez says the myriad pressures and uncertainties in the healthcare sector have created an especially challenging environment for smaller, more isolated health systems. The challenges, named in a statement released by Wellmont, include the increasing sophistication of information technology and its cost, quality mandates, demand primary care services and population health management, lower patient volumes, reimbursement cuts and performance penalties under the Patient Protection and Affordable Care Act.

"Unlike many health systems, Wellmont is fortunate to be in a position of clinical strength and relative financial stability thanks to the great work of our physicians, co-workers and leadership," DeNarvaez said. Nevertheless, Wellmont must improve its financial position by millions of dollars during the next several years, she added. "The board and the administration are committed to continue pursuing all internal options to ensure the financial stability of our health system for the future.

Wellmont's challenges are particularly acute in Upper East Tennessee and Southwest Virginia, a service area that grapples with low Medicare payments and a high volume of Medicaid and uninsured populations. In fiscal 2012, Wellmont had a community benefit of $94 million, which included $77 million in uncompensated care, as well as free programs and services provided to the community, and cash and in-kind donations to community groups. Making matters worse, Virginia and Tennessee have not expanded Medicaid coverage.

The Wellmont Board has created a special committee to assess its options.
Behind Wellmont Health's Search for a Partner
John Commins, January 22, 2014

Wellmont Health System CEO and President Margaret "Denny" DeNarvaez discusses the Tennessee-based system's search for a potential buyer. Not having an immediate need to make a deal is key, she says, because "it is more important to do it right than to do it fast."

When Wellmont Health System announced this month that it was looking for a partner, the Kingsport, TN-based health system, with seven hospitals serving Upper East Tennessee and Southwest Virginia, said it had "launched a process to evaluate strategic options for the organization's future, including the possibility of aligning with another health system."

Wellmont CEO and President Margaret "Denny" DeNarvaez spoke with me recently about the challenges facing her health system and finding the right partner amid the global shift towards provider consolidation.

HLM: What prompted Wellmont to search for a partner?

DeNarvaez: Quite frankly, we feel like we are in a good position both financially and with our clinical standing in the area to be seeking a partner at a time when we don't need to seek a partner. We are looking proactively at what is out there that would enhance our position and our ability to provide care.

And we're doing that in a time where we don't have a gun to our head and we can be thoughtful about what those partnerships might look like and who they might be with and what they might bring to us beyond what we can do by ourselves.

HLM: What can't you do on your own?

DeNarvaez: It's really more with respect to what we know is going to happen in the next few years than it is an immediate need. There is nothing per se today that we are not able to do as a result of our financial position. But we look downstream and we see the significant reimbursement cuts that continue to come and we look at the penalties that will also continue to increase, year over year, for failure to meet certain standards.

The reality is the headwinds in healthcare are going to be pretty strong. To combat that there is going to be a change in the business model for healthcare. Many folks will be taking on risk so they can advance healthcare in a different fashion from what we have traditionally done. To do that we definitely believe a partner would be a preferred option.

We are in an area that does not have the population that is necessary to take on risk. It's common wisdom that you need a minimum of 50,000 lives and many people would say much more than that. We are in a total market area of 400,000 people. So obviously that is going to be very difficult.

HLM: What are Wellmont's selling points?
DeNarvaez: We are market leaders in the areas where we do business by far—a two-to-one preference. We are running very strong facilities both clinically and financially. When it comes to cardiology and oncology, there is nothing shy of transplants that we aren't doing. They will be very surprised at the level of sophistication of the physician community and the caregivers and the technology.

They will be excited when they see the level of sophistication of the board. These are not folks just being fed information from management. They are knowledgeable about the difficulties in healthcare and they also know what they want for the community.

They will be impressed with our senior team. I have been at the CEO level for over 20 years and this is the strongest management team I have ever worked with. It's helped position us in a challenged fiscal market.

Those who have gotten to know us just a little bit are always stunned to see what we have done at the level of reimbursement in this area with the payer mix we have. That may be an area where they would see that we could help them. That is one of the things we hope, too, that it's not a one-way partnership.

We are looking for things, but we will be able to show them how to work in an environment that is very challenging and yet produces the kinds of results we are producing. There will be plenty they will be impressed with.

HLM: Are you looking at an affiliation or an outright acquisition?

DeNarvaez: We have no preconceived notions of what the partnership should or shouldn't be. We will have a financial advisor go through this process with us because we need to reconcile what we may want versus what a partner might want.

We are aware that for some partners, a clinical affiliation might be of interest. It may not be for some entities. And it may not meet our needs either. We want the right partner who meets our needs and we can get the kind of commitments to the community and the health of the community that we are looking for. We are not looking to acquire another entity. We would be willing to be acquired another entity.

HLM: Is this a hard sell for your community?

DeNarvaez: I have been proud of our community. For the most part we were concerned about being very vocal with our community in advance of actually beginning this phase of the investigation. But it is a community asset and we felt it was the right thing to do. They have responded with gratefulness that we have kept them apprised of what we are doing and that this isn't going on in a smoke-filled backroom.

The community includes successful businessmen who understand that size and scale matter, getting both intellectual and fiscal capital matters. I personally haven't heard anything but positive comments. That's very telling about using an approach that is not going to be done haphazardly.

It's going to be done very thoughtfully. And it is meant to be in the best interests of the community. We have a sophisticated board that is trusted by the community and that goes a long way toward making them feel comfortable about the process and the people who are driving it.

HLM: Both Tennessee and Virginia have rejected Medicaid expansion money. Was that a factor in your decision to seek a partner?

DeNarvaez: It wasn't the factor, but there is no question that it was a factor. Generally speaking it is just another indication of how hard it is to have a solid fiscal plan when in our case, 70% of our revenues come from a government source that is very much subjected to that type of decision making.
By a flip of the pen one way or the other, millions of dollars of revenue can be taken or diminished. If we were 10% Medicare and 5% Medicaid as a payer mix, that would be a different conversation. Medicare makes up over 50% of our payer mix and Medicaid makes up 13% and we have 9% or so in complete no pay. When you have that sort of a payer dynamic, it also is more subjected to these types of changes that have come very rapidly and don't allow you enough time to change your infrastructure to respond to it.

**HLM: Are you concerned about the funding status for rural hospitals?**

**DeNarvaez:** We had to close one of our rural facilities for a combination of issues. Probably more significant than the financial losses, although they were significant, was the inability to recruit and retain physicians. That is a growing issue because our economic challenges regarding what the government is going to do also translate into physicians who don’t wish to work in an environment where they don’t know from one day to the next what their economic challenges are going to look like.

And frankly even if they are employed by the health system, they also know the health system would have to make dramatic changes if disproportionate share went away. That would be a significant crisis for many hospital systems, not just our own. And the rural facilities are by far the most impacted in those discussions because there is a heavier concentration of Medicaid.

**HLM: What is your timetable for some sort of partnership?**

**DeNarvaez:** This month we will send a (request for proposal) to three financial advisor firms. In short order we will make a decision as to which one will be our advisor for this second phase. They will help us determine a list. I don’t know if that list will have two candidates or 10 candidates. We will have a small group from the board and myself doing our homework to interview those folks and make sure we are talking the same talk and that we are interested in one another and interested in the same things about one another.

There is no real time table for that. If it takes us six months from start to finish to find the best partner, so be it. If it takes another six months to find what the right transaction is with that partner, so be it.

It’s one of the beauties of being proactive in this regard. We don’t have a timetable. We don’t have a gun to our head. And we do think it is more important to do it right than to do it fast. We do believe that in 2014 we would be pretty far down the line selecting a partner and a transaction to be done.

**HLM: Is there a deal breaker or a deal maker with potential partners?**

**DeNarvaez:** There certainly are criteria that we will be testing for. One is that they are consistent with our own mission vision and values. To be candid, the more they look like us, talk like us, and act like us, the easier this will be. We are very committed to our service and quality agenda and we want a partner who is equally concerned with that. Culture will matter.

We are clearly going to look for a financially sound entity. We are a BBB+ plus bond rated entity. Those that would be interesting to us would be A-rated entities and above. We don’t want to sign up with a partner who might also be looking for a partner. We want a partner who is committed to the technological advances that we have been committed to.

We have made a huge investment in Epic electronic records. We want a partner who is equally sophisticated in their medical and intellectual property. We want to know what they are invested in, what they have done with it, how they have used these tools.

We want a partner who can help us recruit physicians. We have strong service lines and strong medical staffs but when someone retires it is not obvious where a replacement is coming from. We have a strong commitment to physicians as leaders.
There are other criteria, but those are the ones that come to the top of mind right now. Clearly, as we listen to their stories, as we listen to who they are as an entity, we are going to look for certain markers that match up with our philosophy.

John Commins

*John Commins is a senior editor at HealthLeaders Media.*
Anatomy of a strategy:
Behind Wellmont’s search for a partner

By Jeff Keeling

Wellmont Health System CEO Den-ny DeNarvaez said it more than once over the past couple years: The not-for-profit hospital group wanted to be “the prettiest girl at the dance” should the healthcare landscape call for a potential merger. The Kingsport-headquartered system made it official Jan. 9, announcing it would investigate, with a consultant’s help, strategic options that include “aligning with another health system.” As this issue of The Business Journal went to press Feb. 4, Wellmont’s board of directors was in session, determining which of three finalists to offer a consulting contract. The Journal spent much of January scrutinizing Wellmont’s financial reports and studying healthcare merger and acquisition trends. The Journal conducted several related interviews, and also spoke for nearly an hour with Wellmont CFO Alice Pope and DeNarvaez, whose comments implied the system is, at the least, one of the prettiest girls at the dance. In the following pages, we strive to elucidate at least some of the salient points surrounding a highly complex issue that significantly impacts the lives not just of many healthcare workers and leaders, but of many families and businesses in the Tri-Cities.

Wellmont’s got company

In its Jan. 9 announcement, Wellmont cited a recent national survey showing three-quarters of healthcare systems were “already pursuing or were considering” partnerships. In 2012, global consultant Booz & Company issued a “perspective” paper predicting “a multiyear wave of greatly increased (mergers and acquisitions) activity in the provider sector.” And speaking to a business gathering in Greeneville Jan. 23, Tennessee Hospital Association CEO Craig Becker said hospitals are “all looking around for partners, they’re looking for ‘how are we going to survive this, we probably need to be doing it together.

“You’re going to see some consolidation of huge systems … We’re still in a transition as an industry, and we’re going to have to see how this thing plays out, but one thing’s for sure — there will be consolidation.”

It didn’t “happen one night” and it isn’t going away

The Affordable Care Act (ACA), or Obamacare if you prefer, is a convenient scapegoat for complaints about the difficulties hospital systems are facing. Its impacts have shown up in the bottom lines of the Wellmonts of the world for more than two years now. In Tennessee and Virginia, those impacts have been compounded by the states’ refusals to join the Medicaid expansion that came online as part of the ACA last year.

While DeNarvaez, like nearly any hospital executive in either state, finds the Medicaid expansion kerfuffle particularly irksome and financially painful, she said it is not the primary cause of hospital systems’ major changes. Neither, she said, will a change in the Medicaid situation or any potential tweaks to the ACA cause overall trends to change. Instead, she believes, the fee-for-service model that drove healthcare expenditures to 18 percent of GDP is clearly on its way out in favor of something else. And that something else — a long-discussed transition from fee-for-service reimbursement to paying providers for keeping people healthy and out of the hospital — is driving the paradigm shift.

“I think that reality is so much of this is going to evolve and morph,” DeNarvaez said. “I’m much more worried about the next three years than I am about those years, because so much is going to change politically, we’re going to learn so much as we’re doing this value-based changeover from fee-for-service. I really don’t believe that all parts and pieces of what we have today are going to remain intact.”

Hospitals are in “the learning years,” DeNarvaez said, but early signs show, in her view at least, that the U.S. was ready for a shift toward keeping people healthy, paying providers to do it, and consequent drop-offs in inpatient volumes. That shift has affected Wellmont through declining hospital admissions and emergency room visits, with those trends offset numbers-wise (if not financially) by increased outpatient treatments and urgent care visits.

“What is clear already is that nobody expected the admission base to fall right off the way it did under this new set of economics,” DeNarvaez said. “So clearly, what you can see is that there has been excess admissions, there has been a better way to deal with patient population than what we’ve been doing. In that respect at least from an idea of whether it’s a perfect design, no design’s going to be perfect. Is it starting to bend the cost curve? Yes, it is.”

Was it about time? (Of malinvestments and misalignments)

That “cost curve” may have needed bending, Milligan College economist David Campbell said, but that doesn’t make it any

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easier for hospital systems to adjust. It may be a good thing for the country’s long-term fiscal health that the ACA is using Medicare, he said to “redesign the pricing and reimbursement structure that (healthcare providers) must use to be successful.” That coordinated-care model, reimbursing for health outcomes instead of services provided, butts up directly against the infrastructure hospital systems built to compete in the fee-for-service era, Campbell said.

“This includes infrastructure spending and personnel decisions targeted at enhancing the relatively profitable hospital services so that they can cross-subsidize the less profitable ones,” Campbell said. “Now, presented with a new reimbursement structure containing a different set of relative prices, hospital systems are being forced into significant changes in organizational direction in short periods of time.”

That puts most systems on the horns of a dilemma, DeNarvaez said, partly because the changes are occurring so rapidly.

“So much of the infrastructure is fixed cost that the reality is, pieces of your cost that you have a chance to change have to do with salaries and supplies,” she said. “As far as interest expense, depreciation, all of those things that are tied to past investments, they’re going to continue whether you use those inpatient settings at all. That is a difficult part of this, and it is where we’re all struggling.”

With respect to some of those fixed costs, Campbell said, Wellmont and its local competitor, Mountain States Health Alliance, both of which have BBB+ bond ratings, appear “not as well positioned for this transition as other not-for-profit health systems across the country.”

“While this rating classifies Wellmont debt as “investment grade,” the concern is that 128 of the 144 nonprofit health systems rated by S&P received a higher rating,” Campbell said. He added, though, that the news out of the ratings agencies is mixed.

“Fitch points to Wellmont’s liquidity as a positive indicator that has been improving in recent years,” he said. “Conversely, Fitch highlights Wellmont’s maximum annual debt service as a specific area for concern, though it is projected to improve in the coming years. An additional concern is highlighted in Wellmont’s 2014 Q1 financials that show reductions in inpatient volumes, particularly in patient days that fell by more than 10 percent from the first quarter of 2013, though these losses are partially offset by increased outpatient volume.”

The shift from inpatient care

Wellmont submits quarterly financial reports to its bondholders and those show steady trends away from acute inpatient care and to lower-reimbursement “observation days” in the hospital as well as rising outpatient numbers in general. From FY 2010 through FY 2013, acute discharges dropped by 8.7 percent. Inpatient surgeries fell by 12.3 percent. Conversely, “observation patients” have risen by 44.2 percent, outpatient surgeries have stayed steady, and Wellmont’s office visits have risen by more than 20 percent as it has aligned with physician groups through employment or other means.

THA’s Becker said bringing physicians into the fold, whether through direct employment or other relationships, is a must for hospital systems.

“You’ve got to have the physicians as a part of it,” Becker said. “They (hospital systems) all look at it as a positive first step toward moving towards an (accountable care organization) and doing that population-based health.”

Wellmont is making the best of the transition, DeNarvaez said. With payers unwilling to pay higher inpatient reimbursements on an increasing array of medical issues, the system is tweaking its operating model.

“Where we have seen some positive to our bottom line is when we are taking those low-acuity cases and managing them on an outpatient basis,” she said. “Our net revenue is going down, but our cost is coming down as well, so that’s this matching, making sure that as those revenues come down we also bring down our cost.”

Since the fee-for-service model reigned for so long, though, the new paradigm requiring hospital systems to, as Milligan’s Campbell said, “immediately reallocate resources within the organization or pursue scale economies in order to survive,” is easier said than done.

Indeed, Wellmont’s operating margin decreased in the fiscal year ended June 30, 2013, to well below DeNarvaez’s 3 percent target. The company made $12.94 million in operating revenues of $754.5 million, an operating margin of 1.7 percent, down from a 3.0 percent margin in the prior year. DeNarvaez said she believes, though, that Wellmont is “one of the only ones in Northeast Tennessee that is actually producing an operating margin, and that’s with putting in EPIC.” (EPIC is an electronic medical records system that represents the kind of investment systems are making under the new model aimed at creating efficiencies.) A quick look at Mountain States Health Alliance’s books shows that system’s FY 2012 and 2013 operating margins at 1.7 percent and 1.1 percent, respectively.

As THA’s Becker said, “for a good number of these systems it boils down to, they don’t have enough capital to go forward, and they realize that. You’ve still got to buy equipment, you’ve still got to update your buildings, go down the list and you’ve got to have capital to do that. There are very few hospital systems right now that are making money off of operations.”

What Wellmont needs

DeNarvaez’s comments about Wellmont’s primary challenges seem to buttress
Campbell’s arguments. In addition to obvious cost savings that could be gained through economies of scale, for instance in supply costs, she noted that a higher bond rating could reduce interest expense and increase access to capital. Sharing specialty physicians could be a possibility, particularly if a partner were geographically close enough.

With the increasing emphasis on electronic medical records (EMR), which are seen as another path to long-term efficiency and cost savings, Wellmont could benefit from a partner who is further down that road. She said Wellmont has invested millions to “stand up” its “EPIC” EMR system, but optimizing it will require significant additional costs. “We’re looking at the potential to align ourselves with a system that has done that work so we don’t have to create that wheel and can simply participate in that.”

What makes you think you’re so pretty?

The Booz & Co. paper urged readers to “look beyond the headlines” when deals go public, and suggested that “capabilities” may be more important long-term than assets. It said “the real gems in the deal may be capabilities-based, such as advanced patient-management IT, established and successful physician-management models and brands, ambulatory-care locations, and operating models.

Asked about which factors make a system an attractive partner, THA’s Becker mentioned cost control, patient safety and “having your physicians in alignment with you.”

By either measure, at least to hear DeNarvaez and her CFO, Alice Pope, tell it, if Wellmont isn’t the proverbial prettiest girl at the dance, she’s sure to get plenty of the most desirable boys’ eyes lighting on her in the coming months.

“We have seen declines in our operating income, but we still have a positive operating income,” Pope said. “We still have very strong cash flow.”

Wellmont’s records show its cash position improving each year since fiscal 2010, which it ended with $35.7 million in cash and cash equivalents. That number inched up in 2011, then increased by 23 percent in 2012 and a further 25 percent in the year ended June 30, 2013, to $55.96 million. Days cash on hand has followed a similar trajectory, from 156 days at the end of FY 2010 to 198 days at the end of FY 2013.

DeNarvaez chalks this up to significant progress in cost containment over recent years, driven by Wellmont’s government-dominated (and thus less lucrative) payor mix and the region’s relatively low incomes and poor overall health. Much of that has been driven by those capabilities mentioned by Booz & Co.

“Given our economic factors, a lot of folks have been amazed by the work we’ve done, both clinically and along the terms of care model, to drive down the cost of care. We’re sitting as the low-cost provider, not just in our region, at just over $5,000 per case. A lot of folks are running $7,000-plus per case.”

“We will bring to any system a knowledge about where you spend dollars that actually improve the clinical care model and what dollars, frankly, are not doing you any good. We’ve really had to turn over most rocks in the last few years to get our costs into line. So our ability to share with them how we’ve been able to redesign the care model based upon our absolute need to do so, we think is a real benefit.”

So, who might be a dance partner, and what of community control?

“From a board perspective, nothing is off the table,” DeNarvaez said of the strategic evaluation process. Wellmont will engage a financial advisor “to understand all of the real risks and rewards of any potential partner and alignment opportunity,” she added.

This leaves the possibility of a for-profit system. It also raises the question of a possible, though unlikely, alignment, with MSHA. As Becker said in Greeneville, “culture definitely trumps action many, many times, but in this case, money is starting to push a lot of hospitals into each other’s arms that wouldn’t necessarily have wanted to do that.”

In the case of MSHA, even if other elements of a partnership made sense, DeNarvaez said, the Federal Trade Commission would have something to say about lack of competition in the market. “They haven’t been too kind in other settings, so that would be something that we’d get some advice about.”

Keeping with her statement that nothing is off the table, DeNarvaez said both regional systems and larger, more national players could bring benefits, albeit different ones, to the table in a partnership.

DeNarvaez hinted, though, that geographic proximity could play a role, and not just from the perspective of being able to share costs for specialists.

“Intuitively, we believe geographically someone who understands Northeast Tennessee/Southwest Virginia, the managed care contracts in our area, and all of that sort of activity … is going to be, you would think, more knowledgeable of how to leverage our significance in the market. That will be part of the due diligence we will do in this next phase.”

Conversely, DeNarvaez is not at all convinced that a larger partner with a distant headquarters might not be the best fit, or that such an alliance would of necessity strip away local influence.

**Acute Care vs “Observation”: Diverging Trends**

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<tr>
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Percent change on previous year

<table>
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SEE STRATEGY, 20
STRATEGY, CONTINUED

“If we take a page out of some of the best systems in the country, the Geisingers, the Kaisers, the Mayos, the Cleveland Clinics, if you look at the corporate headquarters versus the local identity, they are driving some of those strategies from the corporate headquarters. But the quality of care and the service that’s being delivered is very much still a local phenomenon and very much in the hands of that local community.”

She added that trying to “hold onto control for control’s sake” would be a mistake in terms of the community’s long-term quality and cost of healthcare.

“We’ve seen other systems who have fallen on that sword of saying ‘I want a local control,’ and not be able to deliver services that they need in that region. The board has been very smart about recognizing that. You can be holding onto control and what you’re actually controlling has become a much more limited asset.”

“The beauty of this (process) will be to insure that we have a culture that is committed to the region and a culture that’s committed to community based services, that adds value to our system and insures that it’s viable financially and clinically for the long haul. That is clearly the work that the board is behind.”

Solo, bought, or buyer, the road ahead looks challenging

Becker, DeNarvaez and other hospital executives the Journal has conversed with all seem well-supplied with the kind of tense energy one might expect upon encountering a skilled rock climber. There’s a goal up there somewhere. They can’t see exactly what it looks like, and the route appears to have several options, none of them easy.

“This is one of the most exciting times in health care … because it certainly is transformational,” Becker said at his stop in Greeneville.

DeNarvaez said she is “one of those people who don’t like to see things stagnant,” and that while she has seen other significant changes during her career in healthcare administration, none has occurred at nearly the pace of the current shift. She said that pace, exemplified by a four-month window to adjust to the sequester’s 2 percent cuts, is what “folks like myself who’ve been around a long time are really sort of shocked at.” In healthcare, she said, “every decision needs to be thoughtfully examined” since “we’re not just making widgets.”

“I think the part that’s frightening to us is doing it in a way that’s not negatively impactful on the communities or the patients that we serve, and that’s just, I think, a higher calling when we make these kinds of decisions.

“If Starbucks screws up a business decision, somebody didn’t get a cup of coffee. If we screw up a business decision, somebody may not have gotten healthcare in their lifetime, and it can have meaningful impact.”

As the Booz & Co. authors concluded at the end of their perspective, any alignments and transactions “will be judged by their ability to maintain and build market share, improve outcomes, and sustainably drive down the real costs of care (measured holistically, not episodically). Achieving these ends will not be the result of the deals themselves, but rather the hard work of integrating, enhancing and managing the reconfigured pieces of the puzzle. We wish all players good hunting and good luck.”

LONG BEFORE I STARTED MY OWN BUSINESS IN SPRINGFIELD, TENNESSEE, I WAS A STUDENT IN ROBERTSON COUNTY PUBLIC SCHOOLS.

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Wellmont Searching for "Alignment Partner"

By Scott Robertson

Wellmont Health System is searching for a strategic partner, with a merger looming as a distinct possibility. Denny DeNavarquez, CEO, and Buddy Scott, chairman of the board, made that announcement at a Jan. 9 news conference.

The move comes after a third party analysis by Kaufman Hall, a Chicago consulting firm, suggested Wellmont would have a brighter future with a partner. "Our board and our management team strongly believe we must act now to ensure Wellmont evolves with the rapidly changing healthcare industry," said Scott. "It's the right and the responsible thing to do. By proactively embarking on this process, we are taking our future into our own hands and creating a stronger health system for the communities we serve."

While the partnership may take the form of a full merger or some other strategic alliance, said Scott, it's highly unlikely that 2014 will end with Wellmont not having a dance partner of some sort. "The decision has been made to move ahead, now that we have had our own system evaluated, and evaluate other parties that we might want to align with. The evaluation of our own system tells us that the health care for our communities is going to be better if we are able to pick an appropriate alignment party. I suppose that anything is possible, but it is not an objective that we do nothing after a year of further evaluation."

While organizations like Wellmont have traditionally stated that health care is best delivered in the community by the community and for the community, times have simply changed, said DeNavarquez. "I've been in healthcare for many years now and I've never seen such a time of unprecedented change.

"Providers are struggling with low patient volumes, cuts and low expectations that can result in Medicare penalties. As a result of that, the forecast by rating agencies (including S&P and Moody's) has recently assigned the not-for-profit healthcare industry as negative outlook.

"For us these challenges are multiplied by an extremely low Medicare Index payment in our area and the high volume of Medicaid and uninsured patients that we experience in our region, said DeNavarquez. "Add to this the recent decisions in both Virginia and Tennessee not to expand Medicaid. The challenges we face make it necessary for us to find millions of dollars in improvements over the next several years."

Wellmont is certainly not alone in its decision to reach out. In January 2012 that Wellmont was operating in such a way as to be "the most attractive for a dance," if a merger opportunity were to come along.

"We have been on this path and have been examining our options for some time," said DeNavarquez. "It's clear to us that the headwinds in healthcare get worse as the years go by. That said, the reason we are announcing this today is that we are relatively stable and we are sitting in a position where we can go out and look for the kind of partnership that will enhance our position. At this particular moment, we don't have a gun to our head. We don't have a burning platform, and that's the right time to go seek a partner.

"We're going to keep doing this heavy lifting that we have been doing all along to realign ourselves to be that most attractive partner to someone else," continued DeNavarquez. "We have positioned ourselves very well and will continue to do so. That work will not change. As a value to anyone else as a partner, we want them to look at us and go, 'Wow. That's the kind of entity that we would be interested in as well.'"

The next phase in the process is for Wellmont to hire an independent entity to evaluate potential partners. Kaufman Hall is on the short list of candidates, but Wellmont declined to name other potential firms to do that work.

"What are the things we can't do as an independent entity that we could do if we had a partner?" asked DeNavarquez. "That could be anything from issues of what we could do if we get to be a bigger size or had a bigger balance sheet, or bigger IT capability to augment what we're doing with our electronic medical record, or things we might be capable of doing with risk contracts -- we don't have a large population in this area to be able to take on risk. There are many elements we believe we will be searching for in a partner that we would not be able to do as easily ourselves or maybe not at all."

Wellmont hopes to have its partner picked by the end of 2014, but said Scott, "It's more important to get it done right than it is to get it done quickly."
MSHA moving strategically in choppy health care waters
(Second in a two-part series)

By Jeff Keeling

Medicare drives the train of hospital system finance, but Mountain States Health Alliance continues looking for innovative ways to control cost and create revenue streams outside the Medicare piece, CEO Alan Levine said. In last month’s issue, we relayed part of a conversation with Levine and Chief Financial Officer Marvan Echorn about issues facing the hospital system. Discussion points included how managerial philosophy, adjustments to Medicare “observation patient” rules, supply chain improvements and staff reductions are helping MSHA cope with declining revenues and reimbursements.

This month, we pick up on that March 27 interview with more on revenue and cost strategies, finance, government policy and MSHA’s position on partnerships, up to and including merger with another system.

Driving back the debt dragon

MSHA has maintained an adequate BBB plus bond rating for years, but the rating agencies have continually nicked the system for its debt ratios. As of June 30, 2013, MSHA had $1.09 billion in long-term debt, up slightly from a year earlier. The system had $1.06 billion in total revenues for fiscal 2013.

MSHA has seen its revenues climb as a percentage of debt since 2008, when revenues were $743 million and debt $920 million. Still, the system’s most recent rating (Jan. 22), when Standard & Poor’s reaffirmed BBB plus and a stable outlook, noted MSHA’s “system leverage is elevated” and concluded “MSHA’s sizable debt and accompanying high leverage remain the system’s most significant credit risks.”

That factor is changing, Echorn said. He said a “bolus” of capital spending that began with the 2007 construction of Niswonger Children’s Hospital and continued through the recently completed surgery tower at Johnson City Medical Center has passed (S & P did cite its belief that “the spending put the system in a better competitive position”).

“Even though we’re still spending significantly on capital ($90 million this fiscal year), what’s going on now is a lot more focused around certain strategic initiatives we’re trying to do in various hospitals around the system (chiefly information systems), but not major bricks and mortar type projects,” Echorn said. “That’s helped us...
get our days cash on hand back up again”

The system was at 245 days cash on hand at the end of calendar 2013. MSHA policy requires the system to begin paying extra on debt when cash on hand exceeds 250 days. With just $50 million in capital spending projected for the fiscal year that begins July 1, should operating margins cooperate, MSHA could drive down some of the debt that vexes the ratings agencies. S & P’s review noted “natural improvement in debt ratios that is occurring, and we expect that to continue over time.”

Revenues and margins key

Levine outlined several strategies related to care models and physician relationships MSHA will pursue to keep its operating numbers as strong as possible. S & P’s calculations showed MSHA finished the first quarter of FY 2014 (to Sept. 30) with $4.2 million in “excess income,” but an operating loss of $3.6 million. The agency noted MSHA’s leadership focus on “quality, ongoing physician integration, smart growth through service line and revenue cycle opportunities, cost reduction initiatives, and the development and implementation of new accountable care models.”

On the physician integration front, Levine said MSHA has two distinct business pieces with respect to doctors—employed physicians and physician practices, whether owned by or simply in relationship with MSHA. For some of the employed doctors (hospitalists, emergency room physicians chief among them) “as the business pressure goes south, in order to keep and sustain these physicians we also have to continue to sustain their income. There has been pressure on that. If they can leave and make the same or more income, you’re at risk of losing them.”

With respect to physician practices, Levine suggested MSHA is at an important point in a cyclical pattern. The system has purchased a number of practices in recent years.

“Every 10 years we run out and employ doctors, and whoops, none of us knows how to run doctor practices, so you have to start pruning and correcting course,” Levine said. “We’re challenging ourselves on every single physician practice—are we productive, are we seeing the right number of patients, what’s our expense structure? I think it’s important that we do that. And the doctors want to be productive, they want to contribute.”

Building and maintaining good relationships with doctors is crucial, Levine said. “Without them, our hospitals are big empty buildings.” The need for collaboration increases, he said, in an era when everyone in health care is working harder for the same or less money.

“There are economic interests that physicians have, and they’re real. Physicians are having to work a lot harder today than they used to have to work, and for the same or less money. We understand those pressures. As we’re thinking of our strategies, it’s not a bad thing for us to have a position that we want our physicians to do well economically.”

“We want them to trust that we do understand that. The better quality we deliver, the more financial stability we have in our hospitals. The better it is for the doctors. When they need that piece of equipment we can buy it.”

As for implementation of new accountable care models, Levine offered up his prediction that the early version accountable care organization (ACO) models won’t survive.
MSHA, CONTINUED

“They’re still tied to the old fee-for-service system. You still get paid Medicare fee-for-service rates, you come up with a shared savings based on utilization, but you haven’t really changed the payment model.”

MSHA’s Crestpoint product, on the other hand, works with physicians to “create payment models that are rational for the services we’re buying.”

Crestpoint, he said, “gives us an amount of flexibility that actually achieves the real objectives of reform. That is, shift the payment models away from pay for volume to paying for value.”

Medicare’s reform approach is “the worst of all worlds,” with continued payment on a fee for service basis, combined with cuts to payments.

“We’ve invested in an ACO designed for the purpose of reducing utilization. For every dollar we reduce of hospital utilization cost, we get back 25 cents of that later, or 50 cents we share with the doctors later. It’s not a great business model when you think about it, but it’s socially responsible, and that’s why we did it.”

“It’s given us some practice, and once we evolve to the full-risk model, we understand a little better what works and what doesn’t work.”

I’m from the government, and I’m here to help.

All hospital systems are coping with federal cuts to Medicare, but in some states they are experiencing a double whammy due to state governments’ refusal - including in Tennessee and Virginia - to accept Medicaid expansion. Eichorn said that difficulty compounds $30 million of previous cuts to the system from Medicare changes and other factors.

“The Medicaid expansion and this effort that’s under way through the exchanges, if both states were doing it, and if the exchange population was at least for the state of Tennessee sort of comparable to the rest of the country, it would go a good ways – not all the way, but a good way to offset all those cuts,” Eichorn said.

Levine has just a bit of experience dealing with the federal government. Before his last gig with a private hospital chain, he worked in state government in both Louisiana and Florida, and helped steer a Medicaid waiver for Florida through the Centers for Medicare and Medicaid Services nearly 10 years ago.

“The University of Florida evaluated the reforms and just put out a final report that said in fact that reform dramatically saved money and improved outcomes,” Levine said. “So I think there are models of transforming Medicaid programs.”

He has discussed accepting the expansion with state legislators, and also discussed Tennessee Gov. Bill Haslam’s currently stalled effort at securing a waiver for Tennessee to do an expansion its way.

Levine said legislators – and he doesn’t blame them – don’t realize most of the explosive growth in Medicaid has come from “dual eligible” elderly and disabled citizens who need long term care, not from the poor and young who would benefit (along with hospital systems) from Medicaid expansion. Even when he explains the difference, Levine said, he recognizes the pressure legislators may feel to resist expansion because “Obamacare is toxic right now.”

“There’s a powerful move on the far right against, if you even come within 100 miles of Obamacare you’re going to be in danger of having a primary challenge. That’s democracy in action, and that’s what we’re in the middle of. I don’t think anybody intends to hurt the hospitals, that’s just sort of the unintended consequence of all of it.”

Nevertheless, Levine sounded eager to help with reforms to Medicaid, especially if they could be accompanied by an expansion. In Florida, he said, the waiver provided rewards and incentives for certain positive health behaviors. It allowed opt-out provisions for recipients to buy private coverage if employers provided it. It gave insurance companies leeway to reestablish benefit structures to reduce overall cost and improve outcomes. Haslam’s “Tennessee plan” has some similar initiatives.

“That type of innovation has been
permitted by the federal government, so I think the governor's onto something," Levine said. "The problem is, here's the way it works. CMS doesn't respond to things verbally. You have to give them a waiver. We literally drafted section by section of the waiver. We'd go up and meet with them and walk through it, and we worked—I personally had leaders from the hospital industry, the physician leadership in the state, every step of the way they were involved. We want to help the governor do that."

**Volume and margins will tell the tale**

According to S&P, MSHA assumes no Medicaid expansion in its five-year forecast, which predicts continued volume and reimbursement declines. Successful innovation and cost-containment both will be important, therefore, in MSHA successfully producing annual EBIDA in the $150 to $160 million range, which S&P deems "adequate to comfortably support debt service and further reduce debt, once cash exceeds 250 days."

Best case scenarios from S&P suggest a possible rating improvement, should maximum annual debt service coverage exceed 3.0 (it was 2.3 last year), cash to long-term debt reach 70 to 75 percent and debt to capitalization (61 percent last year) decline to 55 percent.

On the flip side, S&P said, a negative rating action could ensue if MADS fell below 1.7, or operating margins (1.13 percent last year) declined and stayed below 1 percent.

In late March, Levine leaned toward the positive side. "The budget this year was budgeted down from prior year, but we're exceeding what was budgeted. Marvin took a realistic approach to the budget process and what we were going to be able to do, and so far so good."
KINGSPORT, Tenn. – Wellmont Health System is still considering aligning with another health organization and is working through an organized process, Wellmont officials said in a Wednesday statement.

Earlier this year amid an increasingly complex and swiftly changing health care landscape, Wellmont issued a request for proposals from organizations that might want to align in some fashion and nine health systems submitted proposals. But three are no longer being considered because they did not meet the guidelines, the release states.

None of those being considered was named, due to confidentiality agreements, Wellmont said.

Buddy Scott, the board’s chairman, said Kaufman Hall & Associates, a national health care consulting firm, will guide the board and Wellmont’s administration through the evaluation of each submission and further narrow the field.

“The board has taken the correct approach by evaluating our future as an organization while we are in a position of clinical strength and relative financial stability,” Scott said. “We expect several more months of research and discussion are needed before our board will determine final recommendations this fall. This takes considerable time and effort given the substance of these proposals and the importance of the task.”

If the board chooses to align with an organization, the present timeline estimates a formal agreement might be reached as early as December, according to the statement.

Scott said the extensive interest in potentially aligning with Wellmont illustrates the success the organization has achieved.

Wellmont, a not-for-profit system, provided an $86 million community benefit, including $70 million in uncompensated care, to the region during the last fiscal year and continues to enhance its facilities and equipment, the release states.

“We are extremely proud of our health system’s performance as we strengthen Wellmont to meet the needs of our valued patients while remaining true to our mission, vision and values,” said Denny DeNarvaez, president and CEO.
KINGSPORT – Wellmont Health System is about halfway through its strategic options analysis, a process that has yielded positive comments about the organization’s clinical quality and low cost structure.

Earlier this year, Wellmont issued a request for proposals from organizations that might want to align in some fashion with the health system. Nine health systems submitted a proposal, but three of them are no longer being considered because they did not meet the guiding principles the board of directors has established for this review.

Due to confidentiality agreements, names of interested parties cannot be disclosed.

Buddy Scott, the board’s chairman, said Kaufman Hall & Associates, a highly respected national healthcare consulting firm, will guide the board and Wellmont’s administration through the evaluation of each submission and further narrow the field.

“The board has taken the correct approach by evaluating our future as an organization while we are in a position of clinical strength and relative financial stability,” Scott said. “We expect several more months of research and discussion are needed before our board will determine final recommendations this fall. This takes considerable time and effort given the substance of these proposals and the importance of the task.”

If the board chooses to align with an organization, the present timeline estimates a formal agreement might be reached as early as December.

Scott and Denny DeNarvaez, Wellmont’s president and CEO, have provided additional context about the alignment options in a letter accompanying the health system’s fiscal 2013 report to the communities it serves. The letter and the report, which spotlights Wellmont’s community benefit and work to further elevate care, is available at www.wellmont.org/ForwardWithVision.
KINGSPORT — Wellmont Health System reported Wednesday it is about halfway through its strategic options analysis, which could include aligning with another health care system.

In a prepared release, Wellmont said nine unidentified health systems submitted a proposal, but three of them are no longer being considered because they did not meet the guiding principles the board of directors established for the process.

Wellmont Board of Directors Chairman Buddy Scott said consulting firm Kaufman Hall & Associates is guiding the board and Wellmont's administration through the proposal evaluation.

"The board has taken the correct approach by evaluating our future as an organization while we are in a position of clinical strength and relative financial stability," Scott said in the release. "We expect several more months of research and discussion are needed before our board will determine final recommendations this fall. This takes considerable time and effort given the substance of these proposals and the importance of the task."

Wellmont added if its board chooses to align with an organization, the present timeline estimates a formal agreement might be reached as early as December.

Scott and Denny DeNarvaez, Wellmont's president and CEO, discuss the alignment options in a letter accompanying the health system's fiscal 2013 report. The letter and the report, which spotlights Wellmont's community benefit, is available at www.wellmont.org/ForwardWithVision.

Wellmont placed that community benefit at $86 million, including $70 million in uncompensated care, to the region during the fiscal year ending June 30, 2013.

Wellmont said it continued to enhance its facilities and equipment despite significant reimbursement cuts from the federal government and the failure of Tennessee and Virginia to expand Medicaid.

As a not-for-profit health system, Wellmont said it writes off all charges for patients with incomes less than twice the federal poverty guidelines and 60 percent for uninsured patients who earn more than that amount.

Wellmont's community benefit also included $6 million for health fairs, free seminars and screenings; assistance at Remote Area Medical clinics; and community events such as Camp Caterpillar, a children's grief recovery program. During the fiscal year, Wellmont also provided about $759,000 to local United Way agencies, YMCAs, Boys & Girls Clubs, the American Cancer Society, Susan G. Komen for the Cure and the American Heart Association. Wellmont also adopted Epic as its electronic health record provider.

Other investments included the Leonard Family Comprehensive Breast Center at Bristol Regional Medical Center and new radiation oncology technology with Trilogy at Holston Valley Medical Center and the upcoming installation of TrueBeam at Bristol Regional. In addition, Wellmont opened urgent care facilities in Kingsport and Bristol and remodeled emergency departments at Mountain View Regional Medical Center and Hawkins County Memorial Hospital.

The Wellmont Cancer Institute opened an office and treatment facility in Johnson City, and the heart institute added offices in Elizabethton and Lebanon, Va.

For more go to www.wellmont.org.
Roger Leonard Named Chairman Of Wellmont's Board Of Directors, Highlights Health System's Quality

Roger Leonard, a respected community leader and a senior adviser for a national boutique investment bank, has been elected chairman of Wellmont Health System's board of directors.

Leonard succeeds T. Arthur "Buddy" Scott Jr., who steadily led the board during his term the last two years and will continue to serve as immediate past chairman. Bringing a breadth of financial and operations management expertise that has assisted the health system considerably during his five years on the board, Leonard will guide the panel as it builds on Wellmont's position as the healthcare provider of choice in the region.

"It's a privilege to serve as chairman for a forward-thinking health system that delivers an exceptional level of care," Leonard said. "Wellmont's facilities and medical practices have been at the forefront of healthcare innovation for generations, and we are well on the way toward achieving our vision of delivering the best health care anywhere."

Assessing Wellmont's services, Leonard said the nationally recognized Wellmont CVA Heart Institute and Wellmont Cancer Institute are second to none. He said Wellmont's quality of care is spread across multiple programs and facilities and will only grow stronger as the health system proceeds with its strategic options analysis.

Leonard said he observed the compassionate and coordinated care his mother received from a variety of medical professionals, including neurosurgeons, orthopedic surgeons and oncologists, across the Wellmont platform. He said the skill and knowledge of all her caregivers not only saved her life but allowed her to enjoy a high quality of life with those she loves.

"Every day, I am touched by the commitment demonstrated by our physicians and all other medical professionals to serve the needs of people entrusted to our care," Leonard said. "Their dedication, extensive training and the seriousness with which they embrace safety, quality and service is inspiring. For them, it's not just a profession, it's a calling."

For several months, the Wellmont board has been engaged in evaluating the health system's future with a thorough process. Earlier this year, the organization issued requests for proposals from health systems that were interested in some form of alignment with Wellmont. Leonard applauds the way the board has handled this review, saying it will maintain Wellmont's regional leadership.

"I'm very impressed with the methodical and disciplined approach we have taken with our strategic options committee with assistance we have received from our consultant, Kaufman Hall & Associates," he said. "Our
organization and patients have been well-served because we entered this process from a position of clinical strength and relative financial stability. By showing this foresight at an early stage, we control this review and will secure the best possible outcome for the communities we are privileged to serve."

As he embarks on his two-year term, Leonard is focused on ensuring all Wellmont facilities continue to pursue a systemwide approach to healthcare delivery. He said this sharing and standardizing of best practices will enhance Wellmont's safety, quality and efficiency. The savings these methods achieve will enable Wellmont to devote more resources toward an optimal patient care experience.

Leonard also wants rural areas and economically disadvantaged groups to receive the care they deserve. This has become more challenging because of the federal government's reimbursement cuts and Virginia's and Tennessee's failure to expand Medicaid. To continue meeting these needs, Leonard said, Wellmont will have to creatively work with its community partners to develop an economically sustainable model of care.

Wellmont is well-equipped to achieve this goal as the low-cost, high-quality provider in the region, he said.

Scott said these worthwhile goals illustrate why Leonard was an excellent choice to be the board's next chairman.

"Having served with Roger for several years, I have been impressed with his business acumen and understanding of our health system's capabilities," Scott said. "I am confident he will be an outstanding leader as we continue to deliberate the next course for our organization. Our health system will be in excellent hands."

Denny DeNarvaez, president and CEO, said Wellmont will experience a seamless transition from one outstanding chairman to another.

"Roger has been an integral member of our board and provided wise counsel to me and our senior leadership," DeNarvaez said. "His commitment to our mission, vision and values has contributed greatly to our health system's success and positioned us well to continue meeting the needs of our patients. As a longtime resident in the region, Roger understands the fabric of our communities and is dedicated to preserving our high caliber of care."

Leonard is a senior adviser to England & Company, which is based in Washington and concentrates on supporting the growth of middle market companies. He has been an adjunct faculty member at King University, teaching corporate finance and operations management. He previously served as president and chief operating officer of Electro-Mechanical Corp.

After receiving a bachelor's degree in operations management from the University of Tennessee, Leonard obtained a master's degree in business administration from Wake Forest University. He also completed the program for
management development at Harvard Business School. Leonard is now pursuing a master's degree in theological studies from Duke Divinity School.

He is married to Carol Steffner Leonard, and they have two adult children.
Community must get involved in our health systems’ future

Ken Maness is inaugural chairman and current member of the Tri-Cities Airport Authority Board, and former vice mayor of Kingsport.

I am concerned about the future of health care in our region. Let me preface my remarks by saying that I am not affiliated with either of our excellent medical delivery systems in the region. I have never said yes to serving on either board, though I have been approached by both. My reason for saying no was simply because I believed at the time the issues surrounding health care were so complex that I would not have been able to make objective decisions; that I would have been too dependent on management and consultant recommendations.

There is no question health care is an iconic issue, critical to a region’s future. Early business and community leaders realized this in the early 1900s and led community efforts to establish hospitals in each of our cities. Donors reached deep into their pockets, and by the 1950s, the Johnson City Medical Center, Bristol Memorial Hospital and Holston Valley Community Hospital were all modern facilities, able to provide excellent care to our region. As we moved into the latter half of the 1900s, the systems found ways to locally fund new technologies, and state of the art medical care was readily available in our area.

Our medical community has grown to become our region’s largest employee base. We have recruited well-trained doctors from around the world, we have a local medical school delivering a pool of new doctors every year, and specialists in nearly every discipline are available here.

Now, I learn that one of our systems is seeking a strategic alliance, ostensibly due to high debt and unsustainability of the current business model. According to news reports, Wellmont is evaluating proposals from large health care systems based in other markets and will soon make a decision about the future of this key community-owned asset and driver of our local economy.

I am concerned about the lack of community dialog and what appears to be a lack of community concern about the outcome. We have two not-for-profit systems in a market that apparently cannot support both. Wellmont is the first to seek strategic alternatives.

It seems to me that if Wellmont aligns with an out-of-market system, it will become a satellite feeder for a health care system perhaps facing a similar situation in its home market. It also seems that Mountain States will be forced to pursue strategic alternatives and could end up affiliating with another out-of-market system.

Our region currently owns these two systems. From a health care and economic development standpoint, our quality of life will be dramatically impacted by the outcome of the current deliberations.

So, here is my question: Should this region insist that our two community-based health care systems get together and create one sustainable locally controlled regional delivery system? Or do we believe that having two satellite systems controlled from afar will serve us best? Whatever the outcome, this is too important a decision for our community to depend on consultants and outside industry experts to determine.

We had better get involved. The future of our health care delivery system and our local economy depends on it.
Wellmont narrows down partnership search

By Beth Kutscher

Wellmont Health System, which is seeking a partner to help address financial challenges, has narrowed the field of suitors to six undisclosed health systems.

The seven-hospital system, based in Kingsport, Tenn., began evaluating its strategic options this year and is working with consulting firm Kaufman Hall & Associates. Nine organizations responded to its request for proposals and six met its partnership criteria.

Wellmont is about halfway through its review and expects its board of directors to make final recommendations in the fall, a news release said. A partner could be selected as soon as December.

In a financial report for fiscal 2013 (PDF), ended June 30, Wellmont reported a surplus of $31.4 million on revenue of $798.2 million. That represented a deterioration from its $39.8 million surplus on $788.4 million in revenue the previous fiscal year.

Yet Wellmont stressed that despite its financial challenges, it is continuing to make investments in its community (PDF).

The system said that it provided an $86 million community benefit in fiscal 2013, including $70 million in uncompensated care and $6 million in health and wellness programs. Wellmont hospitals write off all charges for uninsured patients making less than twice the federal poverty level and 60% of charges for patients above that threshold.

Other investments included building its electronic health-record capabilities, including the MyWellmont patient portal; expanding its cancer-care facilities and adding new technology for radiation oncology; and opening urgent-care facilities in two markets and remodeling two emergency departments.
Worried about the future of health care

Ken Maness | Posted: Friday, July 18, 2014 9:00 am

I am concerned about the future of health care in our region.

Let me preface my remarks by saying that I am not affiliated with either of our excellent medical delivery systems in the region. I have never said yes to serving on either board, though I have been approached by both. My reason for saying no was simply because I believed at the time the issues surrounding health care were so complex that I would not have been able to make objective decisions; that I would have been too dependent on management and consultant recommendations.

There is no question health care is an iconic issue, critical to a region’s future.

Early business and community leaders realized this in the early 1900s and led community efforts to establish hospitals in each of our cities.

Donors reached deep into their pockets, and by the 1950s, the Johnson City Medical Center, Bristol Memorial Hospital and Holston Valley Community Hospital were all modern facilities, able to provide excellent care to our region.

As we moved into the latter half of the 1900s, the systems found ways to locally fund new technologies, and state-of-the-art medical care was readily available in our area.

Our medical community has grown to become our region’s largest employee base. We have recruited well-trained doctors from around the world, we have a local medical school delivering a pool of new doctors every year, and specialists in nearly every discipline are available here.

Now, I learn that one of our systems is seeking a strategic alliance, ostensibly due to high debt and unsustainability of the current business model. According to news reports, Wellmont is evaluating proposals from large health care systems based in other markets and will soon make a decision about the future of this key community-owned asset and driver of our local economy.
I am concerned about the lack of community dialogue and what appears to be a lack of community concern about the outcome. We have two not-for-profit systems in a market that apparently cannot support both.

Wellmont is the first to seek strategic alternatives.

It seems to me that if Wellmont aligns with an out-of-market system, it will become a satellite feeder for a health care system perhaps facing a similar situation in its home market. It also seems that Mountain States will be forced to pursue strategic alternatives and could end up affiliating with another out-of-market system.

Our region currently owns these two systems. From a health care and economic development standpoint, our quality of life will be dramatically impacted by the outcome of the current deliberations.

So, here is my question: Should this region insist that our two community-based health care systems get together and create one sustainable locally controlled regional delivery system? Or do we believe that having two satellite systems controlled from afar will serve us best?

Whatever the outcome, this is too important a decision for our community to depend on consultants and outside industry experts to determine.

We had better get involved. The future of our health care delivery system and our local economy depends on it.
With its regional competitor poised to potentially become part of a much larger corporate system, Mountain States Health Alliance CEO Alan Levine said all options are on the table for the Johnson City based health system he leads, including a merger, but he wouldn’t say whether Mountain States is being included in Wellmont’s discussions to find a partner.

A federal overhaul of the nation’s health care delivery model and a signification portion of the states’ reluctance to accept the changes have drastically cut into hospitals’ revenues all over the U.S., and Mountain States facilities aren’t immune, Levine said, although the Tennessee-Virginia network of care centers has reported a promising uptick in patient volumes over the last eight months.

What that means for the 14 hospitals and dozens of Mountain States affiliated clinics is constant analysis of balance sheets and a nothing’s-off-the-table attitude when it comes to the future.

“We’re a community-based organization, and I think first and foremost, our board would like to remain that way,” Levine said Friday from the system’s hilltop corporate headquarters. “If we ever had to make a decision that we were going to do something with an outside system, I think that would be our last resort, but you never rule anything out, because the environment’s changing so dramatically.”

In a year and a half, many of the strategic decisions for Mountain States’ board of directors have been to cut costs, whether from the 650 positions shed across the system, a pause of benefits and managerial restructuring or implementing more efficient systems.

Wellmont, facing similar challenges, made the announcement in January that it would explore the viability of aligning with another health system to help cure some of the ailments contracted through health care reform. Last month, the organization’s board announced six of nine potential partners remained in the field, with a final recommendation expected this fall.

When asked if Mountain States was involved in Wellmont’s partner search process, Levine declined to answer or comment on the competitor’s inner-workings.

He did say once the rival company finalizes its decision, MSHA’s board will analyze the implications to its own hospitals and take action if needed.

“The mission isn’t to be bigger than Wellmont, the mission isn’t to spend more money, the mission is to take good care of patients, and all of our decisions have to be based on what positions us best to do that,” Levine said. “So, if Wellmont should make a decision to partner with somebody, we’d have to evaluate how that affects our ability to do what we do, and I can’t speak for what our board might do at that point until I know what we’re dealing with.”

Levine did underscore the need for cooperation between Mountain States and other community resources, namely East Tennessee State University.

A solid partnership with ETSU for economic development and research is “of utmost importance,” he said. “If you look at the relative size of our system, and the vision that Dr. Noland has for the university, I think they go hand in hand,” he said. “There are a number of long-term strategic things we can accomplish by being more collaborative and getting past the day-to-day who’s winning and who’s losing.”

With a slate of major capital building projects completed, excluding plans to build a new hospital in Unicoi County, Mountain States Chief Financial Officer Marvin Eichorn said the system expects to be able to begin retiring its debt in the coming year, and he expects the move to positively affect MSHA’s financial ratings.

“We should see a pretty substantial reduction of our debt going forward from here,” Eichorn said. “I think that, as you might imagine, ratings agencies are very positive about that direction for Mountain States.”

Now at BBB+ for nearly a decade, both officers expect the rating could increase into A-range within five years.

Along with its responsibility to maintain the physical health of the community’s members, Levine said Mountain States would also consider the impact a merger or affiliation would have on the health of the region’s economy.
“The three-legged stool here is making sure we provide high quality care, making sure we recognize the impact we have on the economy and third, trying to do everything we can reduce their cost of health care,” he said. “A company like Eastman, who has to go compete internationally with Chinese companies that don’t have to carry the burden of health care costs – it puts Eastman as a disadvantage. That’s not good for Eastman, and that’s not good for jobs in our region.”

If MSHA’s board begins searching for a partner, Levine said it likely wouldn’t begin the process until after Wellmont announces its decision, citing respect for its neighbor system.
Mountain States Health Alliance CEO discusses financial future
CEO Alan Levine says MSHA has recovered from a rough start to the last fiscal year

By: Tim Cable
Posted: Jul 22, 2014 11:12 PM EDT
Updated: May 24, 2016 03:13 AM EDT

JOHNSON CITY, Tenn. - It's been a challenging first eight months on the job for Mountain States Health Alliance CEO Alan Levine.

"We had big Medicare cuts amounting to $30 million per year for the system," Levine said. "Plus big declines in volumes. It was like a perfect storm."

But Levine tells us Mountain States weathered the storm, and now things are looking much sunnier. In fact, he says, patient volume, including admissions, surgery and outpatient care, has been on an upswing. "It started with about two to three percent growth in February and it's grown to about a six percent growth last month," Levine said.

Levine says Mountain States has implemented a five-year financial plan, including investing a quarter of a billion dollars of capital back into facilities, plus a process to retire its debt. "We're very comfortable that we have a very disciplined plan," Levine said.

Levine says that plan also doesn't include plans for any sell off or merger right now, despite a trend toward consolidation in the industry and recent rumors of any possible future merger with Wellmont, Mountain States' chief healthcare competitor. "We'd prefer to remain a locally-governed enterprise," Levine said. "That said, it would not be responsible to say that we're ruling anything out, because we can't predict what the future might hold."
Levine says he'd rather focus on Mountain States' immediate future. He tells us it's not about getting bigger -- their priority is the best patient care possible. "I think we're on the right track," Levine said. "I feel very good about the engagement of our team members and I think the results are showing some real promise."

We contacted Wellmont today for this story and spokesman Jim Wozniak issued this statement: "We are exploring a variety of paths for the future, including the possibility of alignment with other like-minded health systems. We are using a very clear set of guiding principles to help our decision making. However, because of the confidentiality required at this stage, we are not at liberty to share specifics about those who have expressed interest or to speculate about potential results. No matter the direction we take, our board's goal is to ensure we are able to continue meeting the region's healthcare needs for many years to come."

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Health systems can peacefully coexist

Ken Maness is correct: It is possible for two health care delivery systems to peacefully coexist. I witnessed this as a resident of Western North Carolina in the 1980s. Asheville’s two hospitals, Memorial Mission and St. Joseph’s, were located across a busy four-lane highway from each other. These hospitals built an elevated, covered and climate-controlled walkway that joined them. They shared equipment and resources just like friends and neighbors. These facilities benefited from this arrangement. But the biggest winners? Their patients.

Jayne Wolfe
Gate City, Va.
Roger Leonard Named Chairman Of Wellmont's Board Of Directors, Highlights Health System's Quality

Roger Leonard, a respected community leader and a senior adviser for a national boutique investment bank, has been elected chairman of Wellmont Health System's board of directors.

Leonard succeeds T. Arthur "Buddy" Scott Jr., who steadily led the board during his term the last two years and will continue to serve as immediate past chairman. Bringing a breadth of financial and operations management expertise that has assisted the health system considerably during his five years on the board, Leonard will guide the panel as it builds on Wellmont's position as the healthcare provider of choice in the region.

"It's a privilege to serve as chairman for a forward-thinking health system that delivers an exceptional level of care," Leonard said. "Wellmont's facilities and medical practices have been at the forefront of healthcare innovation for generations, and we are well on the way toward achieving our vision of delivering the best health care anywhere."

Assessing Wellmont's services, Leonard said the nationally recognized Wellmont CVA Heart Institute and Wellmont Cancer Institute are second to none. He said Wellmont's quality of care is spread across multiple programs and facilities and will only grow stronger as the health system proceeds with its strategic options analysis.

Leonard said he observed the compassionate and coordinated care his mother received from a variety of medical professionals, including neurosurgeons, orthopedic surgeons and oncologists, across the Wellmont platform. He said the skill and knowledge of all her caregivers not only saved her life but allowed her to enjoy a high quality of life with those she loves.

"Every day, I am touched by the commitment demonstrated by our physicians and all other medical professionals to serve the needs of people entrusted to our care," Leonard said. "Their dedication, extensive training and the seriousness with which they embrace safety, quality and service is inspiring. For them, it's not just a profession, it's a calling."

For several months, the Wellmont board has been engaged in evaluating the health system's future with a thorough process. Earlier this year, the organization issued requests for proposals from health systems that were interested in some form of alignment with Wellmont. Leonard applauds the way the board has handled this review, saying it will maintain Wellmont's regional leadership.

"I'm very impressed with the methodical and disciplined approach we have taken with our strategic options committee with assistance we have received from our consultant, Kaufman Hall & Associates," he said. "Our
organization and patients have been well-served because we entered this process from a position of clinical strength and relative financial stability. By showing this foresight at an early stage, we control this review and will secure the best possible outcome for the communities we are privileged to serve."

As he embarks on his two-year term, Leonard is focused on ensuring all Wellmont facilities continue to pursue a systemwide approach to healthcare delivery. He said this sharing and standardizing of best practices will enhance Wellmont's safety, quality and efficiency. The savings these methods achieve will enable Wellmont to devote more resources toward an optimal patient care experience.

Leonard also wants rural areas and economically disadvantaged groups to receive the care they deserve. This has become more challenging because of the federal government's reimbursement cuts and Virginia's and Tennessee's failure to expand Medicaid. To continue meeting these needs, Leonard said, Wellmont will have to creatively work with its community partners to develop an economically sustainable model of care.

Wellmont is well-equipped to achieve this goal as the low-cost, high-quality provider in the region, he said.

Scott said these worthwhile goals illustrate why Leonard was an excellent choice to be the board's next chairman.

"Having served with Roger for several years, I have been impressed with his business acumen and understanding of our health system's capabilities," Scott said. "I am confident he will be an outstanding leader as we continue to deliberate the next course for our organization. Our health system will be in excellent hands."

Denny DeNarvaez, president and CEO, said Wellmont will experience a seamless transition from one outstanding chairman to another.

"Roger has been an integral member of our board and provided wise counsel to me and our senior leadership," DeNarvaez said. "His commitment to our mission, vision and values has contributed greatly to our health system's success and positioned us well to continue meeting the needs of our patients. As a longtime resident in the region, Roger understands the fabric of our communities and is dedicated to preserving our high caliber of care."

Leonard is a senior adviser to England & Company, which is based in Washington and concentrates on supporting the growth of middle market companies. He has been an adjunct faculty member at King University, teaching corporate finance and operations management. He previously served as president and chief operating officer of Electro-Mechanical Corp.

After receiving a bachelor's degree in operations management from the University of Tennessee, Leonard obtained a master's degree in business administration from Wake Forest University. He also completed the program for
management development at Harvard Business School. Leonard is now pursuing a master's degree in theological studies from Duke Divinity School.

He is married to Carol Steffner Leonard, and they have two adult children.
Wellmont strives to be a low-cost, high-quality health provider


In January, Wellmont Health System announced it was exploring whether alignment with another health care organization would better support our mission to provide superior health care with compassion. That announcement resulted from a strategic review begun over one year ago in which we analyzed the impact of government payment cuts and other trends.

Our board of directors decided that, under the right circumstances, alignment with a larger health system would be long term in the best interest of the citizens in our region. So far, we have dedicated a full year and a half to this decision-making process. Our board is not ruling out any options and will consider all viable possibilities, including potential regional solutions.

Thanks to our dedicated team of health care professionals and employees, Wellmont is the low-cost, high-quality provider in our region. We have a strong balance sheet, despite being the smallest regional system in terms of revenues and beds. Since we are already the low-cost provider in the region, the cost reductions necessary to remain independent could adversely affect the patient experience, safety and outcomes. We will simply not permit any scenario that weakens those qualities.

The board believes that, under the right arrangement, the best option would be for our system to align with another health system to leverage their scale, expertise and capacity so we can direct resources into clinical functions that further enhance patient care and population health.

Negotiating the right balance between local control and access to long-term financial and human resources as well as technological advances and best clinical practices is a key focus of our process.

We can only remain an island unto ourselves for so long. Affiliation with another health system provides us an opportunity to tap into a much deeper pool of clinical expertise, physician recruitment and financial capital to take health care in our region to the next level. Further, at this
time we are able to negotiate an alignment from a position of strength that will ultimately benefit our stakeholders and our region.

Without a proactive approach, our options become more limited over time. The longer we wait, the more jeopardy our financially challenged facilities and services face. This is particularly true for our rural hospitals.

The Wellmont board is comprised of many people who live, have lived or made their living working in the rural communities of Southwest Virginia and Northeast Tennessee. We are, therefore, committed to finding a sustainable health care delivery model for our family, friends and neighbors in our rural communities. It is imperative that we continue to provide convenient access for the citizens living in our rural communities.

The financial headwinds we face will increase our exposure to reimbursement cuts from government and big insurance companies and will leave us facing unpalatable service reductions. Though it has understandable emotional appeal, the go-it-alone strategy is clearly the least favorable option for patient care in the long term. Going it alone risks being left behind.

At this point, we are only halfway through our evaluation process with much more work to be done. We have not ruled out any option, including remaining independent or partnering with another regional healthcare provider, but we cannot soft-pedal the difficult challenges the health care industry faces in the future. We certainly understand there are questions that need to be addressed, and we appreciate the patience and engagement of our communities.

We are in the process of reaching out to many community stakeholders to share with them what we have learned over the past year and seek their input as we continue the process of evaluating which strategic option is in the best interest of health care in our region. Ultimately, we will select the option that provides us with the necessary long-term financial capacity and enhanced clinical expertise. This will empower us to advance medical, technological and organizational innovation in order to develop new care models that further improve patient care and community health.

Those we serve deserve nothing less.
Wellmont continues to explore merger options

NATHAN BAKER • JUL 30, 2014 AT 9:23 PM
nbaker@johnsoncitypress.com

An announcement made Wednesday by Wellmont Health Systems regarding the status of the board of directors’ search to explore merger options answers some questions, but leaves others without reply.

In an emailed news release, the regional hospital and clinic owner announced the field of potential partners had been narrowed from six to three, and said the board would soon begin a dialogue with the communities served by its hospitals and their doctors and other employees hoping to gauge the support for any proposed partnership.

The release states the three remaining nonprofit health organizations include “a regional system and two significant health systems beyond the region,” but does not identify the entities.

In an interview earlier this month, Alan Levine, the CEO of Mountain States Health Alliance — another regional health system serving the Tri-Cities and Southwest Virginia — declined to discuss whether his organization was involved in Wellmont’s partnership search.

“We’re a community-based organization, and I think first and foremost, our board would like to remain that way,” Levine said then. “If we ever had to make a decision that we were going to do something with an outside system, I think that would be our last resort, but you never rule anything out, because the environment’s changing so dramatically.”

When asked Wednesday to comment on Wellmont’s announcement, MSHA spokeswoman Teresa Hicks likewise declined comment.

“This process belongs to Wellmont and we respect their privacy, so we’re not going to comment on anything related to their potential partner selection,” Hicks said.

Jim Wozniak, Wellmont’s spokesman, gave an even more terse reply when posed questions about the meaning of the released statement.

“Due to confidentiality agreements, we cannot disclose the names of any of the remaining interested parties,” he said.

The announcement to the media and to Wellmont’s employees from board Chairman Roger Leonard stated a final recommendation on the merger question is not expected until this fall at the earliest.

The system began the exploratory search in January with nine potential candidates. The field was narrowed to six in June when the company announced three of the candidates did not meet the requirements outlined by the board of directors.
Wellmont narrows down potential partners

By: Breyanna Blackwell

Posted: Jul 30, 2014 04:58 PM EDT

Updated: May 24, 2016 03:18 AM EDT

KINGSPORT, Tenn. - The Wellmont Health System Board of Directors has narrowed the list of potential health system partners from six to three, including a regional system and two significant health systems beyond the region, all of which are not-for-profit organizations.

The selection of a potential partner which can meet the high standards and partnership criteria established by the board is not expected until this fall, at the earliest. This process began a year ago.

Board chairman Roger Leonard released the following statement:

"As we enter this next phase of our process, the Wellmont board will be conducting three key initiatives: We will be actively seeking a dialogue with our communities, physicians and employees through a variety of ways – through conversations, group meetings, a dedicated website and more. You'll be hearing more about that soon."

We will be learning more about the organizations that remain – what kind of partner they would be, what our alignment would look like more specifically, what we can do better together that we cannot do apart and more and at the same time, these potential partners will be learning more about us.

The board's action follows substantial investment of time and resources by the Wellmont board to determine the best path for Wellmont and the communities it serves. For more than a year, these local leaders have invested hundreds of volunteer hours to understand what the future of health care demands and to explore every possible path that will allow Wellmont to thrive.

All of our work is to make sure Wellmont is well-positioned to fulfill our mission of delivering superior healthcare for generations to come, which we clearly cannot do as effectively alone. We are very excited by the strong possibility these organizations bring to enhance clinical excellence at Wellmont."

For more information, please visit www.wellmont.org/ForwardWithVision, where people can sign up to receive updates.

(Information obtained from press release through Wellmont Health System PR)

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And then there were three
Wellmont leaders expound on search process

By Jeff Keeling

Wellmont Health System made it official Jan. 9: To prepare for a successful future in "the rapidly changing healthcare industry," the not-for-profit provider would spend 2014 "evaluating strategic options," including the possibility of aligning with another system. Under board of directors guidance and led by a strategic options committee, that process has passed through several phases since a July 30 announcement and accompanying letter from new Chairman Roger Leonard revealed the number of contenders had been winnowed to three, for what most in the community expect to be a merger with Wellmont as the seller. The three remaining contenders are, notably, all not-for-profit systems, with one described as a "regional system" and the other two as "significant health systems beyond our area."

In an Aug. 5 conversation with the Business Journal, Leonard, CEO Denny DeNarvaez and CFO Alice Pope discussed the principles that have guided the strategic process. While speaking with some pride of the assets that make Wellmont an attractive partner, they also freely acknowledged what Wellmont and the communities it serves need from a partner. (Hint: In many respects, bigger is better.) And the trio answered questions about fiscal performance through the first three quarters of fiscal 2014 (to March 31), and discussed the trends and uncertainties likely to impact finances in the future.

Just the facts, ma'am

"One of the clear points we have been advised to follow, and that we are following, is that this is an independent process that is unbiased by external forces. Just like we believe evidence-based medicine improves outcomes, this is an evidence-based process." — Roger Leonard

Wellmont has had 18 years to establish itself as one of the most significant institutions in the Tri-Cities. Since the 1996 merger of Kingsport's Holston Valley Medical Center and Bristol Regional Medical Center, the not-for-profit system has grown to an $800 million operation with six hospitals. As hospital systems have adapted to changes in health care, it has grown to include urgent care centers, oncology and cardiology institutes, diagnostic centers, outpatient rehab facilities, physician practices, long-term care options and more. The system has grown in stature and reputation like its slightly bigger, Johnson City-based counterpart/nival Mountain States Health Alliance — without having to cede any control remaining here — is focusing mostly on the main factors driving the process. Those members include entrepreneurs, CPAs, and the treasurer of Eastman Chemical Co., among others.

"The focus has to be on the triple aim of improving patient experience of care, including quality and satisfaction, improving the health of populations, and reducing per capita cost of health care," Leonard said.

Broadly speaking, the committee has been vetting interested suitors on seven principles: Management and staff have acted largely in a support role, providing data and consultation when asked and in addition to Kaufman Hall, the consultancy the board retained in January. The principles include:

• Commitment to Wellmont's mission and values, including a "culture of collaboration" and a commitment to low-cost, high-quality care delivered close to home.
• A track record of excellent clinical care.
• The financial heft to invest in personnel, medical equipment, technology and facilities.
• Expertise to help Wellmont continue moving successfully to the newish model of "population health management" (Terms such as "quality incentive and risk-bearing payment arrangements," "protocal to redesign care" and "systematically improving outcomes while lowering cost" provide clues as to the meaning behind the terminology.)
• Commitment to a strong physician network and to physician leadership into the foreseeable future.
• Being a good employer with a commitment to investing in the region and growing Wellmont.
• A strong vision for the importance of philanthropy and stewardship of donated funds.

Leonard said the three finalists "have submitted compelling responses to the list of questions in these focus areas." The board isn't.

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**WELLMONT, CONTINUED**

taking them at face value, either; he said, but essentially reference checking. "We have board members and physicians as well as an external consultant who are calling hospitals that have merged with these systems before to say 'did they do what they said they were going to?'"

**Why now? Why ever, really?**

"If there is some major disruptive innovation, at $750 million and a break-even proposition it would be very difficult for us to sustain something that would have a multimillion dollar impact. If we were part of a larger organization, you can weather these storms until you can adjust to the new model."

— Alice Pope

"In my view, Obamacare is just the tip of the iceberg. Reimbursement cuts are going to continue regardless of who is in office, so we believe that right now we’re in an ideal situation. We have people that are very interested in merging with us because of the good things we’re doing."

— Roger Leonard

Wellmont’s leaders said it back in January. The system is by no means alone in seeking an alignment partner to move ahead with in addressing everything from increasing levels of information management and technological innovation (including electronic health records) to lower patient volumes, trends toward outpatient care and population health management. Undergirding it all, though, is money, or more accurately, the lack of it.

Payors, from Medicare and Medicaid to private insurers, may (a definite "if") find a fair, effective method to tie reimbursement to a health care system’s successful management of patient populations. Wellmont may do a great job of hitting whatever metrics are in place, and do it with the lean cost structure and efficient organization that is one of the factors making it such an attractive partner.

And yet alone, Wellmont may still slide toward an untenable situation with respect to net revenues that have, in tandem with patient volumes, been trending downward.

"Our board believes that scale will drive clinical excellence going forward," said Leonard, referencing "conventional wisdom" suggesting a minimum size of $3 to $5 billion to successfully navigate the expected health care landscape of the next several years, not to mention unanticipated curveballs. (Between them, Mountain States and Wellmont had revenues of roughly $1.85 billion in fiscal 2013.)

The other factors in the search are all essentials, Leonard said, but they’re also all tied into a system’s ability to deal with financial realities.

**What’s in it for the partner**

Leonard and DeNarvaez tout Wellmont’s clinical programs, particularly in cardiology and oncology but across a wide spectrum of disciplines. They are proud of Wellmont’s implementation of its EPIC electronic medical record system. In an admitted oversimplification, Leonard said “EPIC will do for us what SAP (business enterprise software) did for Eastman.” DeNarvaez called EPIC the current...
"gold standard" for EMR and said "having that deployed and done is a competency that (potential partners) value." Leonard and Pope mentioned Wellmont's being "a potential platform for (partners') expansion into this region" since "most not-for-profit health care systems grow contiguously."

But the system's recent record of maintaining clinical excellence while reining in cost should intrigue potential partners the most, the trio said. It's been of necessity Wellmont deals with higher-than-normal ratios of Medicare and Medicaid patients, programs that offer low reimbursements. The system provides a high level of charity care, having included $40.25 million in provision for bad debts through the first nine months of fiscal 2014, up 6 percent from the same period a year earlier. The states in which it operates (Tenn. and Va.) have both declined to participate in the Medicaid expansion. And the system's Medicare and Medicaid reimbursements are further crimped by the metro area's "wage index" designation being among the nation's lowest.

Through it all, Wellmont has posted positive net operating revenues. That net, at $6.2 million through three quarters, was down significantly from 2013's $12.9 million at the same period, but it was a margin nonetheless.

"We have done a great job of driving down our cost of care," Leonard said. "In our analysis, we are in this region of the country, the low-cost producer, bar none." Added DeNarvaez, "That has been one of the competencies that we can bring to a potential partner. We have learned how to do more with less."

All trends point to scale

Inpatient volumes and surgeries continued a steady decline through March, according to quarterly reports Wellmont files with bondholders. Average daily census dipped nearly 8 percent. Conversely, physician office visits and urgent care visits continued to increase. Pope did allow that she believes a trend that brought volumes down by about 12 percent has reached its trough, but added that it was largely due to "overutilization" and a bounceback is unlikely.

Maintaining positive cash flow in such a climate won't be easy. It will require the scale to get the most out of electronic medical records systems, which have the potential to increase quality while reducing cost. The new reality will also test systems' ability to most effectively implement different methods of keeping various populations — from older or sicker ones to younger or fitter ones — optimally healthy in the most cost-effective way possible. And it will be kinder to systems with greater purchasing power as they negotiate with vendors of drugs, other medical supplies and even IT equipment.

Because of the many things Wellmont has done well, Leonard said, the suitors in this process are more willing now than they'll ever be to make attractive offers and meet the system's expectations about local governance and other fundamentals.

"Our board's position is, if we tried to kick the can down the road a year or two years or five years, we would be less well-placed to negotiate a favorable alignment decision than we are now." [5]

Next month: Why only not-for-profit suitors made the final three. Can the community have enough influence without a partner that is a "regional system?" More on population health management, physician relationships, local governance and the importance of continued capital investment

Some things you shouldn't do alone

It's best to have a partner you can trust

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Roger Leonard: Wellmont carefully weighing options for system's future

ROGER LEONARD • AUG 2, 2014 AT 12:07 AM

In January, Wellmont Health System announced it was exploring whether alignment with another health care organization would better support our mission to provide superior health care with compassion.

That announcement resulted from a strategic review begun over one year ago in which we analyzed the impact of government payment cuts and other trends. Our board of directors decided that, under the right circumstances, alignment with another health system would be long term in the best interest of the citizens in our region.

So far, we have dedicated a full year and a half to this decision-making process. Our board is not ruling out any options and will consider all viable possibilities, including potential regional solutions.

Thanks to our dedicated team of health care professionals and employees, Wellmont is the low-cost, high-quality provider in our region. We have a strong balance sheet, despite being the smallest regional system in terms of revenues and beds. Since we are already the low-cost provider in the region, the cost reductions necessary to remain independent could adversely affect the patient experience, safety and outcomes. We will simply not permit any scenario that weakens those qualities.

The board believes that under the right arrangement, the best option would be for our system to align with another health system to leverage their scale, expertise, and capacity so we can direct resources into clinical functions that further enhance patient care and population health.

Negotiating the right balance between local control and access to long-term financial and human resources as well as technological advances and best clinical practices is a key focus of our process. We can only remain an island unto ourselves for so long. Affiliation with another health system provides us an opportunity to tap into a much deeper pool of clinical expertise, physician recruitment and financial capital to take health care in our region to the next level.

Further, at this time we are able to negotiate an alignment from a position of strength that will ultimately benefit our stakeholders and our region.

Without a proactive approach, our options become more limited over time. The longer we wait, the more jeopardy our financially challenged facilities and services face.

This is particularly true for our rural hospitals. The Wellmont board is comprised of many people who live, have lived or made their living working in the rural communities of Southwest Virginia and Northeast Tennessee. We are, therefore, committed to finding a sustainable health care delivery model for our family, friends and neighbors in our rural communities. It is imperative that we continue to provide convenient access for the citizens living in our rural communities.

The financial headwinds we face will increase our exposure to reimbursement cuts from government and big insurance companies and will leave us facing unpalatable service reductions. Though it has understandable emotional appeal, the go-it-alone strategy is clearly the least favorable option for patient care in the long term. Going it alone risks being left behind.

At this point, we are only halfway through our evaluation process with much more work to be done. We have not ruled out any option, including remaining independent or partnering with another regional health care provider, but we cannot soft-pedal the difficult challenges the health care industry faces in the future. We certainly understand there are questions that need to be addressed, and we appreciate the patience and engagement of our communities. We are in the process of reaching out to many community stakeholders to
share with them what we have learned over the past year and seek their input as we continue the process of evaluating which strategic option is in the best interest of health care in our region.

Ultimately, we will select the option that provides us with the necessary long-term financial capacity and enhanced clinical expertise. This will empower us to advance medical, technological and organizational innovation in order to develop new care models that further improve patient care and community health. Those we serve deserve nothing less.

Roger Leonard is chairman of Wellmont Health System's board of directors.
The following op-ed is submitted by Roger Leonard, chairman of Wellmont Health System’s board of directors.

In January, Wellmont Health System announced it was exploring whether alignment with another health care organization would better support our mission to provide superior health care with compassion. That announcement resulted from a strategic review begun over one year ago in which we analyzed the impact of government payment cuts and other trends. Our board of directors decided that, under the right circumstances, alignment with another health system would be long term in the best interest of the citizens in our region. So far, we have dedicated a full year and a half to this decision-making process. Our board is not ruling out any options and will consider all viable possibilities, including potential regional solutions.

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The board believes that, under the right arrangement, the best option would be for our system to align with another health system to leverage their scale, expertise, and capacity so we can direct resources into clinical functions that further enhance patient care and population health. Negotiating the right balance between local control and access to long-term financial and human resources as well as technological advances and best clinical practices is a key focus of our process. We can only remain an island unto ourselves for so long. Affiliation with another health system provides us an opportunity to tap into a much deeper pool of clinical expertise, physician recruitment and financial capital to take health care in our region to the next level. Further, at this time we are able to negotiate an alignment from a position of strength that will ultimately benefit our stakeholders and our region.

Without a proactive approach, our options become more limited over time. The longer we wait, the more jeopardy our financially challenged facilities and services face. This is particularly true for our rural hospitals. The Wellmont board is comprised of many people who live, have lived or made their living working in the rural communities of Southwest Virginia and Northeast Tennessee. We are, therefore, committed to finding a sustainable health care delivery model for our family, friends and neighbors in our rural communities. It is imperative that we continue to provide convenient access for the citizens living in our rural communities.
The financial headwinds we face will increase our exposure to reimbursement cuts from government and big insurance companies and will leave us facing unpalatable service reductions. Though it has understandable emotional appeal, the go-it-alone strategy is clearly the least favorable option for patient care in the long term. Going it alone risks being left behind.

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Powers decries secrecy around Wellmont's potential merger partner

KEVIN CASTLE | BRISTOL HERALD COURIER | Posted: Thursday, August 14, 2014 11:54 pm

Bristol Tennessee Mayor Lea Powers said Thursday that there has been a cloak of secrecy surrounding Wellmont Health System’s ongoing deliberations about a potential merger partner and it has caused a feeling of unrest about future health care options.

Just before the start of the State of the Cities luncheon, Powers told the Bristol Herald Courier that she met personally with Wellmont Board of Directors President Roger Leonard this month to discuss ongoing negotiations that the non-profit group is conducting with three health care companies for a possible partnership.

Those talks with Leonard, however, did not offer reassurance because Wellmont officials have signed a non-disclosure agreement with those individual systems, the mayor said.

“It puts us all at a disadvantage because we don’t know what they are looking at. It’s like we don’t know what’s behind the curtain,” Powers said. “If we did, we could, I think, feel better or not feel better about where they are because at this point we don’t know.”

Powers comments came four days before a community meeting called by Kingsport Mayor Dennis Phillips and that city’s Chamber of Commerce on Monday at 5 p.m. at the Kingsport Center for Higher Education to discuss the future of local hospitals in the Tri-Cities.

Phillips issued a statement Wednesday saying it’s imperative that industry leaders, business people, civic groups and all citizens learn as much as possible about the potential merger.

“For the sake of our city, county and Northeast Tennessee, we must insure that we get this decision right. Your input matters,” Phillips wrote.

Wellmont is based in Kingsport. Spokesman Jim Wozniak issued a statement Thursday saying system officials have launched a website to keep all informed and continue to meet with community leaders, doctors and employees to share information and get input.

Wellmont leaders welcome healthy discussion about the hospital group’s future, Wozniak said, but he added that Monday’s meeting is not sponsored by Wellmont.

“Importantly, we are still in a process of listening and learning, and we have reached no conclusions. Given this, while we plan to attend Monday’s meeting, it would be inappropriate for us to debate the merits of one specific opportunity over another,” the release states.
Leonard said in an internal announcement sent to Wellmont employees and physicians Thursday that there currently is a lot of rhetoric by a few people that is clouding the merger issue. He also stressed that Phillips’ meeting Monday is not a discussion to save hospitals.

“As a board member, a long-time resident and as someone who has been personally impacted by the great care our hospitals provide, I can tell you that our hospitals do not need ‘saving,’” Leonard said.

He added that suggestions that Wellmont does not have a bright future are “disrespectful” to physicians, health care workers and others associated with the system.

“It’s disappointing to see some in the community conclude the best direction for Wellmont without understanding the options, the challenges and the opportunities before us,” Leonard said.

Wellmont has been studying its merger possibilities for more than a year. Earlier this month, Wellmont announced that the field of potential partners has been narrowed from six to three and the tentative plan is to announce the results of those negotiations in December.

Tennessee and Virginia’s failure to expand Medicaid, reduced payments from government and private insurance and the rapidly changing health care landscape are some of the reasons the organization has cited for considering the prospects of a merger.

“To thrive in this environment, we must change, too,” Wellmont said on its merger-related website, forwardwithvision.org.

Powers said speculation around the city has neighboring Mountain States Health Alliance as a potential merger prospect.

MSHA Communications Manager Teresa Hicks said Thursday that MSHA is respecting Wellmont’s privacy since the search for a possible partner is its own. She would not comment on any merger talks.

A letter to “community stakeholders” penned by MSHA President and CEO Alan Levine was sent to media outlets and posted on that health system’s website Thursday saying the Johnson City-based health system does not see a compelling case for giving up community-based governance to a larger hospital system from outside the service area.

“No matter how good an outside system might be in its own community, our strong preference is to maintain local control of our health care resources. If we were ever to go down the path of seeking a partner outside the region, it would be because we had no other choice,” Levine said.

The statement did not mention or rule out a merger with a smaller, regional system, but Levine did cite health systems the same size or smaller that have created “innovative partnerships” with other smaller hospital groups to sustain operations and keep local oversight of those facilities intact.
Bristol Virginia Mayor Catherine Brillhart said Thursday that she has heard no concern about the possible Wellmont merger from her constituents, but added that businesses and non-profit groups see the value that such a move could bring.

Mayor Powers said a Wellmont/MSHA merger would be difficult to obtain, but would be the best option for residents of the Mountain Empire.

“I feel like to bring together our communities would make us, regionally, even more appealing,” Powers said. “We have to maintain at all costs our level one [medical care] status because we are working so hard toward economic development that anything less than level one or tier one [hospital] is not acceptable.

“I feel the meeting Monday night is going to be very informative. The fact that we have the Wellmont and Mountain States health systems and they are both locally governed makes this important. Then we are in control of our destiny in health care. Why would we want to give that governance away?”
Mountain States issues “no intention to change” letter

Mountain States Health Alliance’s top leadership issued an open letter Thursday afternoon to answer questions relating to rumors and questions regarding the future of the system.

The letter does not address rumors of a partnership or merger with Wellmont Health System, but does state that Mountain States has no plans to sell to a larger, out-of-market system.

The text of the letter follows:

Dear Friend of Mountain States Health Alliance:

Recently, there has been a lot of local news reported about the status of our hospital systems in Northeast Tennessee and Southwest Virginia, with some of the news and resulting questions speculating about whether Mountain States Health Alliance would consider being sold or joining a larger hospital system from outside our region. Indeed, changes in the healthcare landscape are reported to be happening throughout the nation. Because of the questions this has raised about our local healthcare, we wanted to communicate directly with you, and bring clarity to any questions that exist about Mountain States Health Alliance, our organizational health and our perspective on the future of healthcare in our region. As one of the largest employers in the region, and the area’s largest health delivery system, we know that our health as an organization is your business. Our Board and management team are stewards of your community hospitals, and we appreciate the questions.

Who we are today
Mountain States Health Alliance is a locally governed, not-for-profit health care organization. Our Board of directors consists of local civic and business leaders who volunteer their time, talents and expertise to make sure our families have access to the highest quality and widest variety of health care services possible. These are people who live, work, and raise their families in the same communities that our patients call home, and they have a long-standing commitment to improving the health of, and supporting the economy of, Northeast Tennessee and Southwest Virginia. Their only fiduciary responsibility is to our community – the people we serve – not to any outside health system headquartered in another state or region. All decisions affecting our system are made locally – often based on input heard in our Board members’ communities, their churches, or in their neighborhoods.

You can learn more about our Board of Directors by visiting www.msha.com/board.

We maintain our local governance structure because we believe this local accountability is important for retaining a commitment to quality, and the evidence supports this assertion. Recently:
• Johnson City Medical Center was named one of the top 8 hospitals in Tennessee by U.S. News and World Report;
• JCMC’s cancer program was named one of “100 Hospitals and Health Systems with Great Oncology Programs” by Becker’s Hospital Review, along with other well-known quality leaders like Cleveland Clinic, Duke University, Wake Forest, Johns Hopkins, Cincinnati Children’s, and MD Anderson;
• Mountain States Health Alliance was named a “Most Wired” health system for the third year in a row by the American Hospital Association; and
• Sycamore Shoals Hospital, Smyth County Community Hospital, Indian Path Medical Center and Franklin Woods Community Hospital were recognized by Premier, Inc. for their performance in key areas of health care quality and cost control.
Recognition like this happens because we have great doctors and allied health professionals who focus not on seeking recognition, but on making sure our patients receive the highest quality care you can receive anywhere. And, as a locally governed system, our hospitals are showing up on lists that many hospitals, which are part of larger, multi-billion dollar systems, are not being recognized on. There are a variety of reasons for this success, but without a doubt the most important one is that every time we touch a patient, it could be our own family or neighbor. There is no more important incentive than this. From our Board all the way to the bedside, our ethical and fiduciary commitment is to our local community, to our patients and their families and to no one else.

*We like it this way, and we have no intention of changing it.*

**What would compel Mountain States to change direction?**

The last few years have been very difficult for hospitals, no doubt. Hospitals have experienced cuts in revenue and have seen declines in volume resulting from national reforms and other environmental changes. Because of this, many hospitals are succumbing to pressure to join larger hospital systems – often times with headquarters in other states or regions. Many of these hospitals need to do this because they are perhaps (1) concerned about their ability to sustain themselves financially, (2) feel they can no longer keep up with the capital needs of their hospitals, (3) feel their only chance to achieve their vision is to move forward as a smaller part of a much larger system, or (4) they are looking for synergies or cost savings that could be achieved by consolidating services with a larger hospital system that already has overlapping facilities and services in the same geographic region.

Nationally and even in our own region, the rates of hospital admissions are declining, creating potentially lower occupancy rates in hospitals and costly, empty capacity. Sustaining high quality and lower cost can arguably become more difficult as patient volumes decline. So, when there are multiple hospitals in a region, each facing potentially declining volumes, and if some of those hospitals are part of a larger system based elsewhere, that scenario might be compelling for the smaller system to be acquired by the larger one. In that case, there are local synergies that can lead to reduced cost and better value.

But this is not currently the case with Mountain States Health Alliance. No hospital system from outside the region has a presence in our 29 county service area, and there are no overlapping opportunities that we can currently identify which make a compelling case for Mountain States to be acquired by a system from outside the region. **All health care is local**, and we believe value is created when local resources are more efficiently utilized, thus reducing unnecessary duplication and cost. If done, this allows those cost efficiencies to be passed on to local patients and employers as savings.

Importantly, these efficiencies can also translate into new jobs and economic growth as the resources are freed up to invest in medical research and other job-producing investment. **As a not-for-profit, community-based organization, it is our responsibility to find ways to support our community, and we see no more important way to do so than to find ways to help grow our economy.**

Studies have shown that when a larger health system acquires a smaller one, the prices demanded of insurers by the acquired hospitals often increase. Without specific checks on that pricing, the people who pay the bills – our local employers and job creators and consumers – end up paying more. To be clear, the Board of Mountain States Health Alliance is committed to models that are focused on efficiencies, lower costs and increased value rather than a pricing enhancement model. How this occurs when there is no geographic overlap with a larger system based elsewhere is not clear to us. Suffice it to say, we would need to see evidence of the cost savings opportunity, and be able to clearly articulate it to the area’s employers and consumers before making any decision of that magnitude. We would want, and need, their support.

The contributing factors for deciding whether to join a larger system based and governed elsewhere rely on an assessment of four key areas: 1) our **financial** capability, 2) our ability to make **capital** investments in our facilities, 3) our **vision**, and 4) any **geographic opportunities** for achieving reduced costs through synergies.
Through this lens, how do we look?

1. **Our Finances:** Mountain States Health Alliance has a BBB+ bond rating with a stable outlook by the three major rating agencies. We just finished our most recent fiscal year, with the last 6 months of the year providing significant high single-digit growth in our volumes, and double-digit growth in our surgical volumes. For this, we credit our great doctors and allied health professionals for the wonderful work they do every day. Our cash flow margins have remained strong due to good management of expenses and, frankly, making some difficult decisions about our costs in light of the revenue cuts we have taken. In fact our operating performance as measured by cash flow is consistent with larger systems that have “AA” rated bonds – a strong position noted by all three major credit rating agencies.

2. **Capitalization:** Over the last five years, we have invested heavily in building replacement hospitals and expanding existing ones. Examples include: new hospitals in Abingdon, Marion, and Johnson City; expansion of operating room services and radiation oncology in Johnson City; and sizeable investment into our information technology infrastructure. All in, these improvements amount to about $500 million of investment into our communities – an investment that requires good balance sheet management in order to pay off the resulting debt. To that end, last month, our board approved a debt reduction plan that we believe will help us achieve an upgrade to an “A” rating by the bond rating agencies within 3-5 years. Even with the debt reduction, we plan to spend nearly $250 million in capital on our hospitals in the next five years, investing in new technology, upgrades to facilities, and expanded services. So as you can see, we have a capital and debt management plan that both invests in our hospitals and properly manages our balance sheet.

3. **Vision:** Mountain States Health Alliance is committed to being the region’s leading high quality health system – but not just a hospital system. We have a strong partnership with East Tennessee State University, our principal medical school partner, and we see a future that includes developing research and academics with ETSU as a major economic driver in the region. We also see our children’s hospital – Niswonger Children’s Hospital – becoming a beacon for improvement of the health of our children, investing in services and programs to improve literacy, wellness, and overall child well-being in our region. Through our clinical partnerships with Vanderbilt University Medical Center, Cincinnati Children’s Hospital and St. Jude Children’s Research Hospital, we see Niswonger Children’s Hospital and our adult services bringing comfort to thousands of families who know help is only a few miles away. This is a vision our board is committed to.

4. **Geographic Density:** With 14 hospitals, including a major teaching hospital and trauma center, regional community hospitals, a children’s hospital, a psychiatric facility, rehab and other inpatient and outpatient services, and home health and hospice, we have a geographic density that few outside systems based elsewhere can really improve upon. Simply put, what can a hospital system based in another city, or state, possibly do for our community that we cannot do for ourselves, especially if that system has no past experience or personal investment in our region? For these reasons, and others, we do not currently see a compelling case for giving up community-based governance to a system based elsewhere, and Mountain States Health Alliance has no plans to do so. This is the course we are on, and we will not depart from this strategy unless fundamental changes in our local market force us to do so. No matter how good an outside system might be in its own community, our strong preference is to maintain local control of our health care resources. If we were ever to go down the path of seeking a partner outside the region, it would be because we had no other choice.

**Our local commitment runs deep**

Mountain States Health Alliance has a clear vision for our future, and it involves building on our relationships with our communities and the businesses that make those communities great. Our vision involves an even closer relationship with our academic partners at ETSU and other local colleges. We see a future that involves investment into medical research, which will spur economic growth, new jobs and economic diversification for our region. We also envision continuing to work closely with employers as we seek ways to reduce their health care costs, and ensure a healthy workforce.
Are we alone?
No, we are not. In fact, many of the nation’s measurably best health systems are smaller and regional. Each community and region is different, and the health care problems and solutions are necessarily unique to those communities. Because of this, many other well-respected health systems remain locally governed, independent, and not part of larger national systems. Orlando Health in Florida just made the decision to remain locally governed after completing a robust evaluation of their strategy. Wellstar Health System in Atlanta, rather than joining a larger system, instead created innovative partnerships with its local competitor, Piedmont Health System. Ochsner Health System in New Orleans, rather than be acquired by a larger system, has opted to partner with smaller local hospitals where there is overlap of physicians. Wake Forest Baptist in Winston Salem, Integris Health in Oklahoma, and Mission in Asheville – these and dozens of other health systems, while similar to or smaller in size than Mountain States, have chosen to remain independent or locally governed because they seemingly believe, as we do, that this is the best way to remain accountable to the communities and people they serve.

We are grateful for the questions we have received about the recent news. These are your health care resources, and you have a vested interest in their future. Our system’s leaders are proud to call this region home, and we pledge to do everything we can to ensure we retain local governance of Mountain States Health Alliance. Should circumstances change, we will certainly communicate that with you. We owe it to our families, our neighbors, and the future generations who will come after us.

The letter is signed by Alan Levine, president/CEO and Barbara Allen, chair of the Board of Directors of Mountain States.
Update: Community forum being held to provide input on future of region's hospital systems

MATTHEW LANE • AUG 14, 2014 AT 5:00 PM
mlane@timesnews.net

UPDATE: 8:30 a.m.

MSHA had no comment about the upcoming forum."We can't comment on any aspect of Wellmont's potential partner selection. The process belongs to Wellmont and we respect their privacy," said Teresa Hicks, communications manager for MSHA.According to a statement from the Wellmont board of directors:"As our board of directors considers the right path for Wellmont, we are actively engaged in listening to the community in a variety of ways that are accessible and welcoming of everyone.""Just in the last two weeks alone, we have met with many community members throughout the region, and we will continue that work. We recently launched a website solely dedicated to this issue to both provide information and hear from everyone we serve. We appreciate every comment.""In all of our conversations, our board is encouraged we all share a common desire to have a thriving, community-focused health system that has everything that it needs to be successful - not just today, but for generations to come."__________Previous story:

KINGSPORT -- Should Wellmont Health Systems merge with Mountain States Health Alliance or a medical provider from outside the region? Could Wellmont remain independent and stave off a likely merger? These are just some of the questions likely to come up at a community forum scheduled for next week to discuss the future of our region's hospital systems.

The forum will be held at the Kingsport Center for Higher Education auditorium on Aug. 18 at 5 p.m. Mayor Dennis Phillips made the announcement on Wednesday.

"Our medical profession has been our employment growth leader for the past several years and the loss of any or both of our hospitals would be very critical to our city," Phillips said in the release. "The Wellmont Board of Directors intend to make a decision on the future of Holston Valley (Medical Center) and the Bristol Regional Medical Center by December. They need to hear your comments and concerns."

Phillips continued by saying if the community does nothing, there is a very good chance Wellmont and MSHA will look at out-of-area mergers, acquisitions or an outright sale.

"It is imperative that the industry leaders, business people, civic groups and all citizens learn as much as possible concerning the current Wellmont situation," Phillips said.

According to Phillips' release, there appears to be three options for Wellmont.

1) Remain independent, though Phillips says the Wellmont board does not feel this is a possibility.

2) Merge Wellmont with MSHA in order to become a larger medical facility -- approximately $2 billion.

3) Merge or sell to an out-of-area medical provider where local control would be in question.

"This action would be permanent and irreversible," Phillips wrote in the release.

Phillips said everyone knows there will be changes within the medical profession, caused by several factors including Obama Care, so for the sake of our city, county, and Northeast Tennessee, we must insure we get this decision right.
"Your input matters," Phillips concluded.

Wellmont announced in January the organization was undertaking a strategic planning initiative to better secure its future, including the possibility of aligning with another health system. In July, the Wellmont board sent a letter to employees and physicians saying it had narrowed the list of potential health system partners from six to three -- a regional system and two significant health systems beyond the region, all of which are not-for-profit.
Kingsport mayor talks Wellmont merger

MATTHEW LANE • AUG 15, 2014 AT 4:25 PM
mlane@timesnews.net

KINGSPORT -- Mayor Dennis Phillips said he would like to be convinced Wellmont Health Systems cannot survive independently, but if that be the case, then he would like to see Wellmont explore options of merging with Mountain States Health Alliance rather than an outside-the-region health care provider.

Phillips comments come following a meeting held between Kingsport and Wellmont officials earlier this month. Six members of the Board of Mayor and Aldermen, City Manager Jeff Fleming and other members of the city's leadership team met with Wellmont officials on Aug. 5 to hear an update on Wellmont's strategic planning initiative.

Wellmont announced in January the organization was undertaking the initiative to better secure its future, including the possibility of aligning with another health system.

In July, the Wellmont board of directors sent a letter to employees and physicians saying it had narrowed the list of potential health system partners from six to three -- a regional system and two significant health systems beyond the region, all of which are not-for-profit.

Phillips said when he learned of this in the Times-News, he contacted Wellmont board member Roger Mowen about setting up a meeting between city and Wellmont officials.

"I felt like we needed to have a little more information. I didn't think enough information was getting out to the public," Phillips said. "I wanted to see how they're handling this most-important issue."

The BMA meets periodically with Wellmont officials and once or twice a year with MSHA officials, basically to network and keep up with what's going on the respective health care systems. The Aug. 5 meeting was held without public notice and was for the purpose of receiving information.

Phillips said Wellmont did not ask anything of the city.

"I found out in essence, Wellmont would be partnering with someone by December," Phillips said. "I asked them about a possible merger with Mountain States and they could not talk about hardly anything in any specific details. They're all under a confidentiality agreement."

Phillips said he came away from the Aug. 5 meeting feeling like the board had made up its mind to merge or sale and that changing the mind of members would be very difficult.

"The concern I have is, if one hospital goes, it will be difficult for the other one to survive as a local, community hospital," Phillips said. "They're saying you have to be a $6 billion plus dollar hospital to survive any more. If that is true we are going to lose both hospitals."

Last week, Wellmont and MSHA officials would not comment on a possible merger. MSHA CEO Alan Levine and Board of Directors Chair Barbara Allen released a letter to the community on Thursday saying Mountain States is monitoring the Wellmont situation and would respond accordingly.

BancTenn Corp. Chairman Bill Greene (co-founder of Bank of Tennessee and Carter County Bank) has called a community forum for 5 p.m. Monday at the Kingsport Center for Higher Education. The purpose is to discuss the challenges facing health care providers and advocate for a Wellmont-MSHA merger.
East Tennessee State University President Dr. Brian Noland and Holston Medical Group founder Dr. Jerry Miller are expected to speak at the forum.

Phillips said any possible merger by Wellmont needs to be based on a lot of input since the move would have a tremendous effect on the Tri-Cities region, since Wellmont and MSHA are two of the largest employers in the area, with approximately 6,400 and 8,400 employees respectively.

Phillips said he has three preferences -- the first is to be convinced Wellmont cannot survive independently. If not, then the next preference would be for Wellmont to explore options of a merger with MSHA, to maintain local control. The final option would be for Wellmont to affiliate itself with a strong hospital and make the best deal it can.

"In reality, what we're talking about is if Wellmont is absorbed by a larger hospital, we would be at the mercy of the terms and conditions worked out," Phillips said. "If both hospitals sell or merge with larger (entities), the corporate offices of both will more than likely be moved. I've been through bank mergers several times. The large entity is the one that wins and many acquisitions are not favorable to the smaller entity."
Overflowing concern

BY KEVIN CASTLE | BRISTOL HERALD COURIER | Posted: Monday, August 18, 2014 11:13 pm

KINGSPORT, Tenn. — Those who commented during a community meeting Monday night about Wellmont Health System’s possible merger kept coming to the same conclusion: medical services should be kept local through a merger of Wellmont and rival Mountain States Health Alliance.

Every seat was taken inside the auditorium and some lined the walls of the Center for Higher Education for a forum called by Kingsport Mayor Dennis Phillips to give communities of Wellmont-based hospitals a podium for their concerns.

Wellmont, which is based in Kingsport, has a number of health facilities, including the medical centers in Kingsport and Bristol. Wellmont officials announced in January that they were considering a merger. A field of 12 potential suitors has been narrowed to three, the hospital group said, but the names of the candidates have not been released.

A spokeswoman for Mountain States said last week that officials with that health system based in Johnson City aren’t commenting on the potential Wellmont merger.

Phillips and Bristol Tennessee Mayor Lea Powers have voiced concerns about the possibility of Wellmont merging with a larger health system outside the Tri-Cities and both have said that Wellmont’s process has been too private.

Wellmont representatives, but not board members or management, attended the meeting, according to a statement issued after the forum, but did not participate in the debate. Wellmont felt it was important to be there and listen but “did not want to risk an atmosphere of debate at the meeting.”

The statement also said that Wellmont plans to have community meetings in the months to come and it encouraged residents to visit their merger website, forwardwithvision.org, for more information.
Bank of Tennessee founder and local philanthropist Bill Greene Jr., one of the featured speakers, said Wellmont’s announcement in January that it was looking for a “strategic alliance” was a political spin for “we’re for sale.”

Greene said a leg infection landed him in a Mountain States hospital last month and his Wellmont physician could not look at his chart because of company regulations. He said that was a tragic sign of the state of medical care in the Tri-Cities.

“It’s astonishing to me that we have 15,000 employees at Wellmont and Mountain States and we have the audacity to think that we would even want to sell half of our [local health care] asset,” Greene said as he made the case for the two to merge.

He later said that what might be best for Wellmont might not be best for the region, but “what’s best for the region might be … good for Wellmont.”

Holston Medical Group founder Dr. Jerry Miller said the medical needs for the two health systems stretch far beyond the borders of Northeast Tennessee and Southwest Virginia and special care should be taken with regard to the potential merger. With patients from eastern Kentucky and western North Carolina, more than 920,000 people rely on those physicians and facilities, he said.

Miller said Wellmont and Mountain States should be cautious and listen to the residents of those cities and counties if the general consensus is that health care and its delivery should remain local and not controlled by outside entities that can do nothing but help with money, and not medical, issues.

He also said that a key component of that agreement would have to be that future doctors from both of those providers be able to study at the Quillen College of Medicine at East Tennessee State University in Johnson City.

Miller also said that the current makeup of Wellmont’s board of directors has to change. He noted that the governing body consists of 17 members, but only three physicians.

ETSU President Brian Noland said the current conversation over the future of health care in the region is “once in a generation.” He added that he hopes the values of regional partnership and cooperation along with putting the people of the region first factor into that choice.

“I don’t know the decision that either of these organizations will take, but I do know that the students, faculty and staff will be significantly impacted by this decision,” Noland said.

Tennessee Rep. Jon Lundberg, R-Bristol, said he was encouraged by the large crowd and hopes Wellmont leaders recognize the interest in local health care.

Wellmont officials said earlier that a decision could come by the end of the year.
Throng turns out for meeting over hospital systems’ future

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By N&N Editor on August 18, 2014 Featured

Panel makes case for keeping control of Wellmont, Mountain States local

Story and photos by Jeff Keeling

One by one, they ran down the potential benefits of a Wellmont Health System-Mountain States Health Alliance merger and the consequences they believe the Tri-Cities will face should Wellmont instead sell to an out-of-region partner.

Banker Bill Greene, center, (with businessman Scott Niswonger) is leading the “Save our Hospitals” effort.

A prominent banker, a city mayor, a veteran physician/businessman, a university president and an attorney were the main speakers at Monday evening’s hastily called community forum at the Kingsport Higher Education Center. Their contributions touched on different points, but their message was clearly spoken by banker Bill Greene – the driving force behind a “Save Our Hospitals” movement still less than a week old.

Greene was joined by Kingsport Mayor Dennis Phillips, East Tennessee State University President Brian Noland and Holston Medical Group founder Dr. Jerry Miller, with former Kingsport alderman Ken Maness essentially emceeing. Kingsport attorney Bruce Shine also spoke on the method – receiving a “Certificate of Public Advantage” – by which the local systems could potentially overcome antitrust concerns.

Before an overflow crowd heavy with power players, including Mountain States’ board chairwoman (Wellmont board members were conspicuously absent) Greene said Wellmont’s board must be more transparent about its search for a “strategic partner.” And, he said, it needs to focus that search on the possibility of a merger with Mountain States, which is rumored to be the “regional system” that is among the three Wellmont has said remain in its search.

Wellmont has cited non-disclosure agreements in its refusal to publicly name the remaining candidates, or any of the previous ones. That board, which released a brief statement following Monday’s meeting, hasn’t even confirmed that Mountain States is the regional system left in the running, though Maness spoke as though that were a given.

Saying that competition between Mountain States and Wellmont had helped drive health care costs in the Tri-Cities to the highest in the state, Greene said there was a better path. He called for the systems to merge and give equal board representation to each, creating a 20-hospital system with nearly 3,000 licensed beds and 15,000 employees.

“This is where we live, and this is the hospital combination that I think most of us in this room would like to have,” he said.

Greene, the majority owner of Bank of Tennessee and Carter County Bank, said he “loves” the board members of both hospital systems. But he cited a recent meeting at his home of a “hole in the wall gang” whose members decided it was time to wage a public campaign with Wellmont’s board moving ahead without what they believed was adequate openness.
“We have a desire to have quality health care – everyone in this room does,” Greene said. “We have a desire to have reasonable cost – everyone in this room does.

“But we also have a desire to improve our region, and what’s best for Wellmont might not be best for the region. But what’s best for the region is good for Wellmont.”

Kingsport Mayor Dennis Phillips, left, and former alderman Ken Maness.

For his part, Phillips said it is “imperative” that Wellmont’s board make the right decision.

“It has a tremendous amount to do with our recruitment of business and industry, it has a tremendous amount to do with our retirees, and your input is the only thing that can change the direction this is going,” he told the gathering.

Maness said a Wellmont decision to sell to an outside system would be a so-called “gating” decision, after which some other decisions won’t be possible.

“It would obviously end the prospect for Mountain States and Wellmont to get together, but it would also probably force the other system, in a defensive move, to do the same thing,” Maness said. “After a period of time we might have two systems here, but one perhaps operating out of Charlotte and one out of Atlanta.”

ETSU and Quillen College of Medicine key players in any scenario

ETSU President Brian Noland speaks at the forum.

When his turn to speak arrived, ETSU’s Noland ran down the contributions the university’s medical, nursing, pharmacy and public health schools make to the region’s health care. Picking up on a theme advanced by Phillips, he referenced ETSU’s growth to a level of sponsored research that exceeds $50 million – much of it owing to the university’s health care juggernaut.

Noland cited important research and clinical work in the fights against obesity, diabetes and prescription drug abuse, three scourges prevalent in the region. And he used that work as a springboard for his main message – that partnerships are essential to successful ventures in Northeast Tennessee and Southwest Virginia.

“Partnerships also produced the Gatton College of Pharmacy,” Noland said. “More than a decade ago this region came together, Wellmont, Mountain States, everyone in this room, and said ‘we’re going to establish a college of pharmacy at East Tennessee State University.’”

Noland warned that the Quillen College of Medicine is in danger of losing 50 residency slots over the next few years “because of the competition between the systems.” And it is residents, he said, who tend to put down roots and ultimately stay in the area to practice medicine.

In an indirect reference to Wellmont’s process, Noland said ETSU “exists to serve the people of this region.

“There are decisions that we can make that would be within the best interests of ETSU. There are decisions that we can make that would be in the best interest of our faculty, staff and students. But that’s not our mission. Our mission
is to serve the people of this region, and we do it through our health care system, we do it through our access (to health care) mission, and we do it through our partners.”

The competition question

Kingsport attorney Bruce Shine speaks on the legal aspects of a potential Wellmont-Mountain States merger.

Before Shine detailed the legal questions surrounding a potential merger that would create an apparent monopoly, Miller spoke on the cost and complexity of the current health care system before making his case against competition. With competition rife between Wellmont and Mountain States, locals are left with “the most expensive for health plans and for patients of anywhere … in Tennessee.”

When systems are competing not on quality of care but on facilities and services, Miller said, competition “is a malignancy on health care.”

That may be so, Bruce Shine said, but even if Wellmont and Mountain States chose to pursue a merger, it would have to get past the Tennessee Attorney General. Shine said certificates of public advantage have been granted to the Mission hospital system in Asheville, N.C. and to Wake Forest Baptist hospital system.

Shine told News and Neighbor he did not think Tennessee had yet allowed or even considered a COPA of the magnitude being discussed Monday.

“These hospital mergers are exceptions to federal antitrust law, which is allowed by state law, and therefore there is a keen interest to make sure that competition is not decreased,” Shine said. He added, however, that Tennessee’s “Hospital Cooperation Act of 1993” balances likely decreases in competition against other likely gains for the community.

The law, in fact, states that a certificate of public advantage can be issued by the attorney general if it is determined “that the applicants have demonstrated by clear and convincing evidence that the likely benefits resulting from the agreement outweigh any disadvantages attributable to a reduction in competition that may result from the agreement.” (TCA 68-11-1303 [d]).

According to the law, benefits that could outweigh decreased competition include: enhancement of the quality of hospital and hospital-related care; preservation of hospital facilities in geographic proximity to the communities traditionally served by those facilities; gains in the cost-efficiency of services provided by the hospitals involved; improvements in the utilization of hospital resources and equipment; and avoidance of duplication of hospital resources. (TCA 68-11-1303 [1] (A-E)

Shine said the process could be completed fairly quickly and allows for significant public input. He added that in his experience, Wellmont as the prospective seller is probably the entity calling for non-disclosure agreements, he believed those confidentiality clauses could probably be changed rather easily and to the benefit of transparency in Wellmont’s process.

When all was said and done Monday, it was again Greene speaking, and reiterating one of his earlier points – that it is far-fetched to think an outside owner would actually let the area retain significant local governance over the former Wellmont hospitals.

“Whoever absorbs their $600 million in debt will be 100 percent in charge of them,” he said. “Just don’t think of it any other way. Anything they say to you about caveats, I can assure you there’s a trigger mechanism that whoever
buys them – whether it’s in Winston-Salem, Charlotte, Nashville, Louisville, Roanoke or Norfolk – the new purchaser will be 100 percent in charge, just get over it.”

Greene concluded by reminding the gathering that Wellmont’s board could elect to sell to an outside entity at any time and that would be that, and urging those in attendance to sign a petition pushing the open consideration of a local merger.

“Once this genie is out of the bottle, you will never put it back in the bottle.”

Wellmont’s website dedicated to its search is forwardwithvision.org. The group that organized Monday’s meeting has its own website, saveyourhospitals.com.
KINGSPORT — Wellmont Health System's assets need to remain under local governance, a panel of regional power players told a supportive standing-room-only crowd at a Kingsport Higher Education Center forum on Monday night.

BancTenn Corp. Chairman Bill Greene Jr., healthcare consultant Jerry Miller, Kingsport Mayor Dennis Phillips and East Tennessee State University President Brian Noland talked about the implications of Wellmont's plan announced earlier this year to seek a business partner.

"It's not likely we come out of this meeting today with a lot of finite answers. ...These are complex issues," said forum host Ken Maness, a retired radio executive and former Kingsport alderman.

Maness noted both Wellmont and Johnson City-based Mountain States Health Alliance have been "slugging it out" for the past 15 years in a competition that hasn't included pricing. Both are not-for-profit systems serving Northeast Tennessee and Southwest Virginia.

An e-mail authored by Phillips and distributed to the business community last week talked about "three options for Wellmont" — remaining independent, an option Wellmont's board does not think is viable; merging with Mountain States to become a $2 billion system; or merging with or selling to an out-of-area system.

While Maness noted Wellmont's board can't talk about these scenarios due to non-disclosure commitments, a region of about 850,000 patients hangs in the balance.

"The political spin is 'We're for sale,'" said Greene, who has been advocating a Wellmont-Mountain States merger. "It's amazing the number of people who missed that and didn't know what it meant. ... What's best for Wellmont might not be good for the region. ...The most important reason we're here is governance."

One bad scenario, Maness indicated, is the region might still be left with two healthcare systems, but with one of them operating out of Atlanta or Charlotte.

Noland pointed out partnerships with the two healthcare systems has helped turn out nurses at ETSU's College of Nursing and primary care physicians at ETSU's Quillen College of Medicine.

"We exist for one reason and that is to serve the people of this region," Noland told the crowd. "...We do it through our healthcare system, ... and we do it with our partners. Wellmont and Mountain States provide residency positions, and residencies are the lifeblood of the College of Medicine."

Noland disclosed ETSU is losing 50 resident positions over the next few years because of the competition between the two systems.

Miller, the founder of Kingsport physician practice Holston Medical Group, talked about the region's healthcare challenges: An aging population, plus financial problems in other health systems.

"Eighty five percent of hospitals are smaller than Wellmont," Miller said. "So why are we throwing in the towel? I don't understand that."
Miller called the Wellmont-Mountain States competition a "malignancy." He first advocated a partnership between the Quillen College of Medicine, Mountain States and Wellmont. His second option was one healthcare system for the region, while his option three was to keep Wellmont running.

Kingsport attorney Bruce Shine was called on to examine if a Wellmont-Mountain States partnership would get a thumbs-up from the Tennessee attorney general's office.

"There is a keen interest to make sure competition is not decreased," Shine said. "It speaks to competition in the context of quality."

After a review, Tennessee Attorney General Robert Cooper could issue a so-called "certificate of public advantage" allowing hospitals to hook up locally, Shine said.

In closing, Greene encouraged the crowd to get more involved in Wellmont's decision, which is expected sometime before the end of the year.

"The only offensive weapon we have is you the public," Greene concluded.

In a statement issued after the forum, Wellmont said: "Representatives of Wellmont attended (the forum) and our board will study the information. We did not want to risk an atmosphere of debate at the meeting, which is why our board and management team were not in attendance."

For more on the panel's perspective and to sign an online petition go to www.saveyourhospitals.com.

For Wellmont's perspective on the situation go to www.forwardwithvision.org.
KINGSPORT, Tenn. - Wellmont and Mountain States Health Alliance are two healthcare companies in the region who have competed for years, but now there is a push from the business community to have the two companies merge.
The healthcare industry is one of the region's largest employers and a major player in the overall health of the local economy.

Now, its future is at a crossroads. Wellmont Health System announced it is seeking to partner with another healthcare company due to growing financial strains on the medical industry.

A field of six suitors has since been pared down to three - one described as regional, and two that are not. "It should be important to the entire region. We are the owners of these two health care systems, they belong to the community," says Scott Niswonger, a business owner and the namesake of the Niswonger Children's Hospital in Johnson City.

The fear among many people is if Wellmont's board chooses an offer from a company outside of the region, the Tri-Cities will not only lose control, but also advanced services and jobs. "Our concern is the loss of jobs, loss of the corporate headquarters. That's a concern to the tune of 50 to 75 million dollars a year," said Kingsport Mayor, Dennis Phillips.

This group is openly pushing for a Wellmont and Mountain States combination along with an enhanced research program through ETSU. "This is a generational change," says Niswonger. "For either good or bad, good if we can bring them together."

"I do know the decisions that Wellmont will make in the coming months will impact ETSU," says Brian Nonland, ETSU's President.

One of the group's main objectives is for more transparency during this process, which is why they are asking those at the meeting to sign an online petition asking Wellmont to be more open about their discussions.

Some questioned how the plan does not lead to a monopoly and in the end higher prices. This group backs a government-controlled agreement that locks healthcare costs for 10 years.

The next step for the group is to bring the board of Wellmont and the board of Mountain States to talk about the issue.

Both Mountain States and Wellmont told News 5 that administrators and board members were not attending the meeting, but would have representatives in the audience.

Wellmont released a statement that says:

"Wellmont Health System's board of directors, which has deep roots in this region and cares greatly about its well-being, takes its responsibility seriously. The work we've performed over the last year and the in-depth analysis to come is to make sure we choose the best path for our patients and our region.

We all share the same goal: We want a thriving health system that has everything it needs to be successful – not just today but for generations to come. The options before us are extraordinary, and we couldn't be more excited about Wellmont's future and its positive impact on our region."
We are still in a process of listening and learning, and we have reached no conclusions. While Monday's forum was not our event, we felt it was important to be there to listen and learn. Representatives of Wellmont attended and our board will study the information. We did not want to risk an atmosphere of debate at the meeting, which is why our board and management team were not in attendance. Because we have not drawn conclusions, we do not have a position to debate at this stage of the process.

We have upcoming meetings planned throughout our communities and our system and welcome the community to join us. For those who are interested in joining us for one of those meetings, getting the latest information or submitting thoughts or questions, we encourage you to visit www.forwardwithvision.org.

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Wellmont Launches New Website As Part Of Next Phase Of Partnership Exploration Process

KINGSPORT - Wellmont Health System is launching a new website specifically dedicated to its partnership exploration process.

The website, www.forwardwithvision.org, is one of a series of initiatives by the health system to provide information and receive ideas or questions about the search.

The Wellmont board of directors recently narrowed the list of potential partners it was considering from six to three and said it was entering a phase of community dialogue and due diligence.

In this next phase, the Wellmont board will conduct three key initiatives:

1. Actively seek a dialogue with physicians, employees and the communities Wellmont serves through a variety of ways - through conversations, group meetings, a dedicated website and more.
2. Learn more about the organizations that remain, such as what kind of partner they would be, what an alignment would look like more specifically and what can be accomplished together.
3. Provide these potential partners an opportunity to learn more about Wellmont.

"Wellmont is a mission-driven organization that takes pride in providing clinically superior, personal care to our friends and neighbors whom we serve," said Roger Leonard, board chairman. "As we go through this transformative time in the life of our organization and make decisions for the future, it's important to hear from our employees, physicians and community about what's most important to them."

The website will be one of a variety of tools used in this next phase. It details why Wellmont is exploring partnership options and how national changes in healthcare are impacting the Tri-Cities region. It also explains the board's vision for the future and thorough decision-making process, answers frequently asked questions, offers a "Rank our Guiding Principles" interactive tool and provides a "fact check" page where questions and rumors can be submitted and addressed.

In addition, the website will be regularly updated with the latest news about the board's process, and people will have the opportunity to sign up to receive a weekly email newsletter.
Questions to answer

I read with interest the article where banker Bill Greene believes that a merger between Wellmont Health System and Mountain States Health Alliance would be a great benefit to the people of Northeast Tennessee and Southwest Virginia.

Yes, it would give the new system better clout in purchasing power and maybe a little more with the insurance companies, but that is not assured.

And what about the negative ramifications?

Services most likely will be consolidated. So, which hospital will get to keep its current services and what will it lose?

How many employees will lose their jobs over consolidation of services?

How far will patients have to travel to get the service they had previously received from a hospital closer to them? Would this not be a monopoly in health care for the region?

And what would keep such a monopoly from charging whatever prices it could for those services, coming from your pocket and the insurance company, which would pass that expense on to its ratepayers?

Is this really a win-win situation for the common man who doesn’t have the deep pockets of our community leaders?

Derril Pruitt
Johnson City
Let’s hope that Wellmont, MSHA do what’s best for our region

JIM WELCH, A KINGSPORT RESIDENT, WORKS IN ADVANCING BIOSAFETY AND BIOSECURITY. E-MAIL HIM AT JMWELCH2@YAHOO.COM.

Jim Welch

Other than I know I prefer not to be in one, I know very little about hospitals. I do, however, know a little something about communities and regions, and I know that access to good hospitals is vital for the attractiveness of a community. When retirees are asked why they choose not to move away after their work life is through, the answers usually have something to do with grandchildren, churches and/or medical care.

Our region is home to some rather fine hospitals and a stellar medical community. There was a time when having something remotely serious meant automatically looking way up the food chain of medical care, but that time is mostly behind us. We now have rather idyllic access to specialty care in many fields of medicine that can stand with the big guns in the world of health care.

I mention that because I sense we’re about to lose it. Given what I understand the current situations to be for our two major regional providers, both seem to be looking for some sort of out-of-region sugar daddy to come in and take over their respective campuses. The rather intense competition that drove both systems to become outstanding providers later became more of a just plain intense competition for the sake of competition, and the hard feelings the two now culturally have for each other from a history of turf wars is prohibitive to them doing the one thing they should most probably seriously consider — merge.

Merging would mean one side would have to blink, and I’m guessing that given the current cast of characters and their rather long history of animosity, either would rather relinquish itself to the devil himself than to blink.

First, we have to understand that whenever a business says it is seeking to align with another business, that’s “business correct” for “have somebody take over this mess.” The next thing we have to understand is that “take over this mess” means we no longer have anything beyond token control. The advantages rest squarely with the entity that took over the mess. Last, we have to understand that the real economic gravy will belong to the new mother ship.

The first huge casualty of our regional hospitals linking to the outside will likely be the medical school at ETSU. The overall quality of medical schools is measured somewhat
by how much grant money they are able to attract and what kind of learning experiences students can have in association with local hospitals where teaching, patient care and research are done.

ETSU’s Quillen College of Medicine is currently affiliated with major hospitals in both the Wellmont and Mountain States groups as well as the James H. Quillen VA Medical Center. Through these affiliations, ETSU is able to offer medical students experiences in a wide range of medical expertise, some of which would most surely be lost to a new mother ship.

Having grown up in Northeast Tennessee and even, in fact, having lobbied for the creation of the medical school, I can attest that few things have ever been a larger booster shot of academic talent into our region than the establishment of a medical college here. It transformed Johnson City into a place a visitor who hasn’t seen it since 1975 would not recognize. The transformation of Johnson City helped transform the entire region.

Our entire medical delivery system throughout Northeast Tennessee and Southwest Virginia improved exponentially after the establishment of the medical school, and East Tennessee State University became much more of a regional player than it had ever been.

The influx of academic talent has brought things and access to things we probably could not have even dreamed about before its existence. Academically talented people have expectations of better schools, better roads, more cultural opportunities and more extracurricular activities for themselves and their children than most of us have. If there was a harbinger to our survival of the death of making textiles and furniture, the medical school was it.

I think it’s sad that the vast majority of us are rather powerless through this whole process. We can’t exactly have a “save our hospitals” rally because we pretty much turned them over to management groups beyond our reach. As with most things these days, the folks with the real power and influence don’t even live here anymore. They commute.

This isn’t something we can blame on Obamacare. This pot has been on the stove for a long time and is now at its boiling point. I guess it’s time where somebody decides who is in charge of the kitchen. Here’s hoping the respective boards at least take a look beyond immediate numbers. There’s about 800,000 people relying on them to do what’s best for all of us.
Wellmont chairman says health care provider has common ground with business leaders

HANK HAYES • AUG 22, 2014 AT 3:37 PM
hhayes@timesnews.net

KINGSPORT — Wellmont Health System Chairman Roger Leonard said the health care provider has "a lot in common" with a group of businessmen pushing back on Wellmont's plans to align with another business partner.

"We agree that driving clinical excellence now and in the future is a key goal," Leonard, who heads up the 17-member Wellmont Board of Directors, said in an interview. "We agree that health care is important to the people in our region, and it's important to economic development. We also agree that jobs are important to this region because you can't have a healthy population without a healthy community. We agree on most of the issues."

Wellmont's decision on an alignment partner is expected to be announced by the end of the year.

The business group, led by BancTenn Corp. Chairman Bill Greene Jr., indicated during a recent community forum that Wellmont's assets should remain under local governance.

Greene is pushing for a merger between Wellmont and Johnson City-based Mountain States Health Alliance. Both are not-for-profit health care providers.

Back in January, Wellmont reported it had engaged a consulting firm to seek out an alignment partner. Three not-for-profit health systems have made the final cut. Kingsport Mayor Dennis Phillips, in an email recently distributed to the business community, said Mountain States is among the finalists.

Leonard insisted Wellmont isn't selling out to anyone.

"This isn't a sale. It's a merger," Leonard said of what the transaction will be. "There is no cash changing hands. What we do hope will happen is that it will put together what we do best together with what our alignment partner does best — to create the best health care available in the Southeast if not the country."

Leonard disclosed several for-profit health care providers had placed a price tag on Wellmont.

"We believe Wellmont is too important to put a price on," Leonard said. "That is why we eliminated any of the for-profit options...We felt like the community wanted clinical excellence being our number one priority not creating shareholder wealth. We also considered the impact on jobs in not-for-profit systems. We felt like the impact on jobs would be better in not-for-profit systems."

Leonard pointed out Wellmont has improved its operations by an estimated $60 million over the last three years through revenue enhancements and efficiencies. This occurred despite the health system eating more than $70 million in uncompensated care, according to a 2013 Wellmont financial report. During the year, Wellmont reported nearly $800 million in annual revenues.

"I'm very proud of our management team," Leonard said of Wellmont's senior managers, including President and Chief Executive Officer Denny DeNarvaez.

Still, the financial report also noted Wellmont faces continuing revenue challenges, including declining federal reimbursement in Medicare and Medicaid, and reduced inpatient utilization.
The Wellmont Board of Directors, Leonard stressed, has determined that staying independent is "not viable" over the next five to 10 years.

When asked if Wellmont has a plan to win over the business community, Leonard said the health system's objective is to get feedback from "all the various voices" in the region.

"We think it's important at this stage that we get an opportunity to hear from every quarter in the community. That is our approach right now," Leonard said.

Leonard also pointed to the relationship between Wellmont's and Mountain States' boards of directors being better than in the past.

"That doesn't mean we're not going to be competitive," Leonard added.

When asked if it's important for Wellmont's governance to stay local, Leonard responded: "We certainly believe maintaining a local voice in governance is always going to be important. We haven't worked out the details of that. It will be part of the discussions in the next phase of our due diligence. We think that's an important factor but not the only factor. Clinical excellence will be the key driver in our decision."

For more about Wellmont's future plans go to www.forwardwithvision.org.
Why big health care systems like Wellmont are looking at partnering as a means to survive

HANK HAYES • AUG 25, 2014 AT 12:54 PM
hhayes@timesnews.net

KINGSPORT — If you believe Wellmont Health System's decision to align with another health care entity is a knee-jerk isolated move, think again.

Indeed, one of the more significant health care trends involves hospital consolidation to create larger hospital systems with broader reach and economies of scale to combat growing strategic, economic and regulatory pressures, according to an analysis released in the winter of 2013. That analysis, put together by Hudson, Ohio-based Dixon Hughes Goodman (DHG), said only 13 percent of the hospitals they surveyed in 2012 intended to maintain independence from alignment with other hospitals or systems. "For the other 87 percent, alignment is at least a consideration in their strategic plans," DHG reported. Health care systems, DHG noted, are worried about increasing margin pressure from government and commercial payors, plus competition.

DHG said the various business options health care systems are considering include affiliations to increase a system's footprint; joint ventures with shared governance to create new in-patient or out-patient activity; joint operating agreements creating new governing boards but with hospitals maintaining independence; mergers or a combination of health care systems absorbing each other's assets; and finally acquisitions calling for the purchase of one hospital system by another. Wellmont says it is only considering other not-for-profit systems as a possible alignment partner at this point, but DHG noted a number of not-for-profit systems will at least examine potential for-profit partners who offer financial expertise and access to capital. Tennessee Hospital Association President Craig Becker said larger hospital systems are coming. "That's the way everyone is going ... the independent hospital, it will be very difficult for them to stay independent," Becker pointed out. "Even for some of our large systems like Wellmont, they will start combining." Tennessee health care systems, said Becker, have been squeezed by lower federal reimbursement in Medicare and Medicaid, the lack of new dollars because Medicaid hasn't expanded, plus tighter margins in contract negotiations with commercial insurers. "The other phenomenon we're seeing is a decrease in (patient) admissions," Becker said. Becker predicted services "being moved around" to trim expense, plus less jobs and more responsibility put on individual patients to manage their care. One business group headed by BancTenn Corp. Chairman Bill Greene Jr. has advocated a merger between Wellmont and Johnson City-based Mountain States Health Alliance. Such a merger could impact two major Kingsport health care facilities — Wellmont's Holston Valley Medical Center (HVMC) and Mountain States' Indian Path Medical Center. Kingsport Mayor Dennis Phillips predicted HVMC would remain intact from a Wellmont-Mountain States merger. "I think Indian Path would have to be looked at," he added. "I'm not sure how many empty beds are at Holston Valley, but I do not think there would be any loss of employees because of the number of patients served would be the same ... or could they separate the duties between the two hospitals so they can maintain both of them. ... My big concern is how do we ensure our industry that health care in the next two, three, five years does not skyrocket (in expense)." Aside from economic consequences, anything Wellmont does will be closely examined by state and federal authorities. Tennessee law requires nonprofit organizations to notify the state Attorney General of "certain extraordinary events," namely the merger of a nonprofit organization with a for-profit company, the sale of substantially all of a nonprofit organization's assets to a for-profit company, or the dissolution of a nonprofit organization. Once notice is given, the Attorney General's Office will request information from the nonprofit organization about the transaction. Depending on the size of the transaction, the information request may be brief or extensive, according to the Attorney General's office. In Virginia, the law empowers the Attorney General's office to review the "disposition of assets" by a non-profit entity. The office, said spokesman Michael Kelly, would look at whether the proposed transaction is fair to the hospital being purchased; what impact the transaction will have on health care for the region served by the hospital; and whether the transaction will diminish competition in the health care market. The Federal Trade Commission (FTC), meanwhile, would also look at the effect on health care competition, advancements in technology, and price transparency. Among the key provisions in U.S. antitrust law is one designed to prevent anti-competitive
mergers or acquisitions. Either the FTC or the U.S. Department of Justice could take legal action to block deals. Still, the FTC says the vast majority of deals reviewed by the commission and the Department of Justice are allowed to proceed after the first, preliminary review. "However, if a second request is issued, the companies must provide more information," the FTC noted. "Once the parties have certified that they have substantially complied with the request. ... The agency may decide at this point to: 1) close the investigation; 2) enter into a settlement with the companies; 3) take legal action in federal district court or through the FTC's administrative process to block the deal from going forward."
Is a Wellmont, MSHA merger good for the region?

Wellmont Health System is expected to announce today that it will merge with Mountain States Health Alliance. Alan Levine, the CEO of Johnson City-based MSHA, revealed the plans to his health system’s employees by email on Tuesday. “I am sharing with you that yes, our board and Wellmont’s board have decided to agree on a partnership,” Levine wrote. “An agreement has not yet been signed, but we anticipate that will happen in the next 24 hours.”

As Press Assistant News Editor Nathan Baker reported in Wednesday’s paper, the announcement of the merger comes after more than a year of speculation as to which nonprofit system Wellmont would choose as a partner.

Wellmont began its search in early 2014 with nine potential suitors. It narrowed the field down to two by the end of the year. That was when its board members entered an “audit and verification stage,” conducted behind closed doors.

In his email to MSHA employees, Levine said the newly formed health care provider will “not simply be a merger of assets,” but rather a Health Improvement Organization “designed ... to be among the best health systems in the nation.”

Although he did not name East Tennessee State University directly, Levine said the merger would partner with a major academic institution dedicated to medical research.

Local business and community leaders, as well as area chambers of commerce, have pushed for Wellmont to choose MSHA as its partner.

One such business leader, Bill Greene, a co-founder of Bank of Tennessee and Carter County Bank, told the Press last year he believed a merger of the two regional health care systems would provide greater a benefit to Northeast Tennessee and Southwest Virginia than if Wellmont were to become part of an outside system.

But there is also a fear by some in our community that a merger of Wellmont and MSHA could result in the loss of jobs, as well as lower the quality of medical care in the area.

You can sound off on this topic by emailing us at mailbag@johnsoncitypress.com. Please include your name, telephone number and address for verification.
It is time to add some objectivity to the issue of Wellmont’s future

Dave Clark is a Kingsport businessman and a former alderman.

The current discussions between Wellmont Heath Systems and the public with respect to a potential merger with another organization appear to be lacking. The fundamental problem is that there is no real dialogue. Wellmont asks for input, yet gives incomplete answers to legitimate, if sometimes difficult to decipher, questions. The public for its part does not do a good job of either articulating its position or giving meaningful input. People appear to have chosen sides based on incomplete information, intuition and anecdotal evidence.

In effect, the sides appear to be talking past each other without really communicating. The result is frustration on both sides. It is time to try to add some clarity to the issue.

Before discussing our community’s particular circumstances, it is helpful to understand the overall environment. First, the Affordable Care Act (ACA) — Obamacare — is driving change. Some changes impact reimbursement rates or affect the cost of service delivery. Other changes, like requirements for electronic medical records, drive short-term cost and would appear to create advantages to economies of scale (i.e. getting larger).

The important point is that tomorrow will not look like yesterday. Above all else, we must understand that the “do nothing” option is in fact a decision. It is a decision that allows the new rules of ACA simply to dictate the future.

However, ACA is not the only problem facing us. There is also the legacy of past conditions. Competition in health care has not operated in the way we see in other sectors. Given a “third-party” payer system (meaning the insurance company or government pays most of the bill), the consumer does not choose services based on price. We pay the same co-pay regardless of how expensive a procedure may be. Therefore, a different mechanism has driven consumer decisions.

Typically, that mechanism is focused on other perceived characteristics such as the type and look of facilities, level of technology, awards and reputation, etc. Some of these are representative of the level and quality of care. However, others are simply cosmetic. In other words, the incentive in competition has been to drive up costs to the community. We have seen this manifest itself in the competition between our two local health systems.

Over the past decades, we have seen a tit for tat conflict between Wellmont and Mountain States Health Alliance (MSHA). They have built facilities and acquired property to counter moves by the other. While this may have appeared to make sense, the result is that some of the financial strain and large debt service costs are a direct result of their conscious decisions to try to outmaneuver their competitor. It has also created redundancy and in some cases “oversupply” of capabilities and services.

The negative results of this competition have been exacerbated by the fact that we have a relatively fixed population base. Our area is not growing in a substantive way, and this has constrained the ability of either system to expand their revenue base without reducing their rival’s revenue.

Another problem we face locally is the high population of low/moderate income families. This has been fueled by our sales tax-based economy and the shift from manufacturing jobs with benefits to low-paying retail/hospitality jobs without health benefits. This puts a strain on not-for-profit health providers that have a mandate to provide indigent care.

The fact that Tennessee has not expanded its Medicaid system has contributed to this issue under ACA. Some of the costs imposed by the law were designed to be offset by additional reimbursement from that expansion. However, this is something of a shell game since it does not actually reduce costs; it simply shifts them from the health system to the taxpayer. Regardless, it should be understood that the health systems took a hit on revenue and the “expected” payback has not occurred.

Regardless of the means and cost by which we have gotten to the current state, we should acknowledge that the quality of medical care in our community is very good. The overarching
concern should be that that be maintained and improved. This requires a strong financial position and having significant local control/input into decisions regarding the nature of that medical care. When it is broken down, there are three broad areas of legitimate concern between the parties: 1) quality and delivery of medical care, 2) financial viability of the system, and 3) governance and control of the system. We should not automatically assume that any one “answer” is correct until an analysis of the facts has been done.

First, we must determine how any given option would improve medical care. Specifically, we must understand the impact on the number/type of health care providers. What new capabilities or enhancements might it create? What types and level of medical services will change/remain/be enhanced? What will be the impact on types or level of facilities?

Second, how would an option improve the long-term financial viability? If we are operating in a “fixed-size” environment, how does any plan improve revenue and cash flow? Wellmont has a significant portfolio of “non-productive” assets (property that does not generate any revenue or is not predicted to generate revenue in the near future). Will the action help liquidate those assets to generate revenue?

Alternatively, the finances could be improved by cutting costs. How are cost reductions generated and how are they achieved? Through personnel cuts? Who? How many? What type of jobs? Where do they come from? Will savings come from eliminating redundant facilities? Which ones? However, there are “one-time” costs to merging. How are those paid for?

Third, we must understand how any option would change the control of the health system. In particular, how much local control or input will remain? Several questions are relevant. Will Wellmont remain a regional “system” within a larger system or will “Wellmont System” be eliminated and become a series of individual hospitals/facilities within a larger system? What will be the composition of the new board of directors? Does the larger system board have absolute control over the local facilities? Will there be a local board with any power, or will there only be an “advisory board” after a merger? What is the decision process for capital projects? How will excess revenues be allocated?

Finally, there are related regional issues at stake. For example, there has been a strong tie between ETSU’s medical school and the regional health systems. An important objective ought to be to strengthen and hopefully expand that relationship and the programs that extend from it. This could potentially leverage state or federal money to our region. In addition, the outlying rural regions are greatly affected by actions largely controlled from the more urbanized areas. Specifically, what are their needs and who is looking out for their interests?

If the community wants real input in creating the future of health care in this region, it must change its focus. Rather than railing against the Wellmont board and staff or pushing forward a specific option, we should focus on defining a set of outcomes that would best meet the overall community’s needs. From this desired end state, a set of prioritized criteria can be developed that would provide the basis for any negotiations. In order to be successful, Wellmont’s board must be receptive to this input, or the process will continue to foster animosity.

Above all else, we need to stop treating each other like enemies. Everyone has a real stake in the outcome of the process.
Future of Wellmont Health System a matter that concerns us all

D. Bruce Shine is a Kingsport attorney, who Tennessee Business magazine has listed as one of the “150 Best Lawyers in Tennessee.”

Like my friend Jim Welch, I know little about hospitals other than to be appreciative that they are here for our use.

The current discussion over the future of the Wellmont Health System, which includes Holston Valley Medical Center, is a matter that concerns each of us. It mandates your attention.

Other than when I had my tonsils out at age 6, I’ve never had a major medical situation at a place other than Holston Valley, where my three sons were born.

I’m a fan of Holston Valley and most particularly those nurses, health care professionals and others who work there “on the clock” to make every experience I’ve had a positive one.

The board of directors of Wellmont tells us economic conditions mandate they explore “strategic options” while the system is in a favorable bargaining posture.

The board uses the term “alignment,” which is another way of saying “merging” with another institution.

I joined a few others last week at Holston Valley to hear the system’s board articulate why something needs to be done now about Wellmont’s future. Their timetable calls for a decision by the end of the year. (See:  www.forwardwithvision.org)

The Wellmont board has narrowed its options to merging with one of three entities. Those three options are a regional health system, which everyone assumes is Mountain States Health Alliance (MSHA), and two significant health systems beyond the region. All three are nonprofit entities. Who those three entities are, we were told, cannot be disclosed due to confidentiality agreements.

Opinions vary on what should be done, but a significant segment of the community supports a merger with MSHA. Monday night at the Kingsport Higher Education Center, a forum on the topic initiated by Ken Maness, Roy Harmon, Bill Greene and Kingsport Mayor Dennis Phillips was conducted to discuss the options as presented by Wellmont’s board.

Starting with the assumption that Wellmont must act, the natural question becomes what impact will a merger have for health care in this area?

A merger with a health care provider system outside the region will result in a loss of local governance over the Wellmont facilities.

When local banks decided they needed to be bigger and mergers were instituted, local directors were replaced by individuals from Memphis, Nashville, Charlotte or Birmingham who had their lending priorities in a place other than Kingsport.

Fortunately, Tennessee has two statutes that have application. The first is the Hospital Cooperation Act of 1993 (Tenn. Code Ann. 68-11-1301). The second is the Public Benefit Hospital Sales and Conveyance Act of 2006 (Tenn. Code Ann. 48-68-201). Each statute allows for the Tennessee attorney general to be actively involved in determining whether the public is best served when a change in ownership or direction in a local public hospital occurs.

Under the latter and more current statute, before the transfer of “ownership or control” of a public benefit (not-for-profit) hospital can occur, a written notice must be filed with the attorney general of Tennessee containing information required by that office.

A detailed examination of the transaction may then be conducted by the attorney general, including but not limited to fiscal considerations, private gain, conflict of interest, governance, access to affordable health care after a merger, competition, anti-trust considerations, capacity to serve the community and other legitimate considerations that impact upon health care in the community where the hospital exists.

The attorney general can reject the conveyance transaction.

The other statute allows for cooperative agreements — not subject to federal anti-trust laws — between hospitals in Tennessee that are governed by an administrative process subject to the
Tennessee Department of Health and the attorney general. The two have the authority to reject or approve the agreement, which results in the issuance of a certificate of public advantage (COPA). The process is concerned with whether the benefits in the agreement outweigh any disadvantages to a reduction in competition that may result from the cooperative agreement. As with the earlier discussed statute, this legislation places considerable authority in the determination process with the Tennessee attorney general. The law provides the attorney general with wide latitude to consult with the U.S. Department of Justice and the Federal Trade Commission on the anti-competitive nature of the process. Other health care providers, as well as employers who provide their employees with health insurance, have the legal authority to intervene and become parties to the process. Judicial review under the Uniform Administrative Procedures Act is provided under either statute. While I have briefly touched upon the two statutes, they are detailed and exist to protect the public. North Carolina has statutory authority similar to Tennessee. Mission Hospital in Asheville, Wake Forest Baptist, both in North Carolina, and other hospitals around the Southeast have entered into partnerships with other local hospitals in order to remain independent or locally governed. Tennessee has provided a statutory mechanism for those concerned with the issue of local governance for health care systems. I strongly urge you to follow this discussion, and while the initial decision lies with the 17 directors of Wellmont, I'm confident they want to know the attitude and feeling of the community. After all, Wellmont is our community health system.
Banker, allies continue push for Wellmont-MSHA talks

By Jeff Keeling

The main architect of an effort to persuade Wellmont Health System to consider a merger with Mountain States Health Alliance wasn’t very optimistic about that effort’s odds of success late last week.

“We’re not winning,” banker Bill Greene said Friday from his office at Carter County Bank in Elizabethton, in which, along with Bank of Tennessee, he holds majority ownership. “Right now it’s 75-25; we’re the 25.”

Greene referred to Wellmont’s consultant-led search for a “strategic partner,” launched in January, which the hospital system announced July 30 it had narrowed to three finalists. That list includes a “regional system” that Greene said Friday is Mountain States, whose flagship hospital is Johnson City Medical Center. Wellmont operates Holston Valley Medical Center in Kingsport and Bristol Regional Medical Center, along with four other hospitals including two in Southwest Virginia.

Friday, Greene said Wellmont’s July 30 announcement came roughly three weeks after he personally approached Wellmont CEO Denny DeNarvaez, and later Board Chairman Roger Leonard – about what he considered a lack of transparency in Wellmont’s search process. He said he asked them to meet with him and a group of around a dozen leaders from throughout the Tri-Cities he has dubbed the “hole-in-the-wall gang” to discuss their process.

“They’ve never answered us that they would be able to do that,” Greene said.

Several weeks after the July 30 announcement – convinced that Wellmont’s board was not yet willing to sincerely pursue the Mountain States option – Greene and Co. debuted the saveyourhospitals.com website. On Aug. 13, two days after Wellmont rolled out a community input website regarding the strategic process (forwardwithvision.org), the Kingsport Chamber of Commerce announced a community forum – affiliated with Greene’s group – would be held Aug. 18 at Kingsport’s Higher Education Center to discuss the future of the community’s health care.

During that forum, a handful of speakers outlined their desires. They included more transparency from Wellmont, which sent no board members to the event, a sit-down with those leaders, and a good faith effort to work toward a merger that could also include East Tennessee State University’s powerful health sciences division. ETSU President Brian Noland was among the speakers.

The results, the speakers said, could include:

- Greater efficiencies in the four-state Wellmont/Mountain States market, with resultant lower costs to consumers;
- Retention of local governance over health care decisions;
- A greater chance for ETSU to make its mark in medical research and maintain residency slots, with accompanying economic benefits.

The consequences of sale to an outside entity, they added, could be dire: loss of local control, a consequent weakening of Mountain States, and negative effects on ETSU’s medical, pharmacy and nursing schools.

Greene remained characteristically feisty Friday, and confident in his group’s arguments for its case, if not so much in the likelihood that Wellmont’s board would be swayed by the group, or a corresponding petition drive. He
elaborated on the type of agreement – a “certificate of public advantage,” or COPA – that could he believes could get a Wellmont-Mountain States merger past regulators. He reiterated what he sees as the likely consequences of Wellmont merging with an outside system.

And he maintained his bemusement about the refusal thus far of Wellmont’s leadership to meet with the hole-in-the-wall gang.

“Wouldn’t you think the first thing you’d want to do if you’ve got the caliber of people I just named, and the community in a groundswell saying, ‘hey Wellmont, let’s talk, this is important to us, this is an economic engine, this is our health care future’ – wouldn’t you think the board would say ‘you got a point. Let’s sit down and talk.’

“Haven’t done that. I’m waiting for the call.”

That said, Greene isn’t giving up the fight – and he is at least hopeful that Wellmont’s board will become more transparent, and that perhaps things could move positively from there. He also isn’t shy about what he believes could tip the balance in favor of local merger talks – Eastman Chemical Co. speaking out, something he said it hasn’t yet done.

“Eastman Chemical Company is in Kingsport and Kingsport does what Eastman Chemical wants. End of volume, end of game… When Eastman goes stealth, you can assume they’re siding with Wellmont who’s stealth. Consequently, if Eastman’s not willing to come out of its corner and discuss this openly, then you can assume they’re in the same mode Wellmont’s in.”

**What about competition?**

The word monopoly naturally springs to mind when talk of a Wellmont-Mountain States merger surfaces. Greene said Tennessee’s largely untried COPA law deals with that. If such a merger were regulated, and the potential benefits outweighed the anti-competitive elements, it could gain approval.

Not only that, Greene said, he believes that despite the lack of a COPA law in Virginia, the merger could get a federal dispensation.

“The feds can step in and say, there’s no health care answer southwest of Roanoke, therefore this meets the needs of the public. If the community can demonstrate they would like this, we’re satisfied we can get the approval in Southwest Virginia. We cross a state line with a 20-hospital footprint. It’s massive scale, but we think we can get approval.”

(You can read the Tennessee COPA statute at jcnewsandneighbor.com/tennesseecopalaw).

Further, Greene said he believes ETSU’s health sciences division could be part of the mix. Such a partnership, combined with a redirecting of dollars saved through efficiencies, could potentially create new jobs and economic growth through what Greene believes could be a doubling of the current $50 million in sponsored research at ETSU.

“It should be a three-legged stool. Then you can enlarge the medical school, you can have more residency slots, higher sub-specialty and specialty training, and we can possibly get millions in additional research dollars.”

Greene would recommend a board of directors with equal representation from Wellmont and Mountain States, adequate physician representation and community members not already involved in the hospital board fraternity – which he suggests is rather chummy.
“Once we get the hospitals together, once we get the med school up going and blowing, and once we get the residency slots, it’s all about governance.”

Either way, “there will be pain”

One reason those residency slots have been at risk is the years-long duplication of services – what Greene called an “arms race” – by the competing systems. Gaining the efficiencies that can then be plowed into research, residency slots and more affordable care won’t be accomplished without short-term pain, Greene said. Unnecessary duplication remains.

Even if a larger outside system merges with Wellmont – and scale has been one reason mentioned by Wellmont’s leadership for the search process – Greene expects cuts.

“It’s going to knock you in the creek either way,” he said. “Wouldn’t you rather that we decide locally how to create efficiencies? Both systems have a shrinking volume of patients. You’ve got all these extra beds, and if you’re together, it stands to reason you can locally control the number of beds better than someone from Charlotte who owns half of them (were Wellmont to sell or merge).”

“We have a better chance of controlling that extra expense, and if it’s not controlled locally, in this region small business starts paying price.”

Despite his blunt approach, Greene insists his group doesn’t desire an adversarial relationship with Wellmont’s leadership.

“I’m trying to smoke the Wellmont board out of their stealth attitude to say, ‘we would like to have an open dialogue with the owners, and we would like to have an open dialogue with the hole in the wall group because they are the major players. What is wrong with that?’"
Chamber actively seeking answers from Wellmont

Joy Madison | Posted: Sunday, August 31, 2014 9:30 am

The Bristol Chamber of Commerce is a voluntary nonprofit membership organization that represents the business community. The chamber promotes a strong economy, encourages community development and represents the interests of business before government. The chamber also advocates on issues related to business and improves business relationships through networking and referrals.

A strong economy requires thriving businesses with a talented and healthy workforce. For our region to be robust, it requires a combination of investment, jobs, education and quality of life. The good news is that we are moving forward in each of these areas.

Healthcare is a priority topic in the business community. The implementation of the Affordable Healthcare Act weighs heavily on decision makers. Getting a handle on the costs and record keeping is daunting. However, it is the access to quality healthcare that is currently generating the most discussion in Bristol and the Tri-Cities Region. Our local healthcare system, Wellmont, is seeking a strategic alliance with another partner. Not surprisingly, the business community is asking questions and wants to know what the chamber is doing about this.

The Bristol Chamber has had an opportunity to meet with Wellmont officials and we have attended various community meetings. One of the most valuable meetings was to sit down with our Tri-Cities Chamber counterparts, the board chairmen and CEOs in Kingsport and Johnson City, and share what we knew, what we want to know, and what we felt we should do. We came to the conclusion that we simply didn’t know enough and that all of our respective communities had many of the same questions. We believed we had a mandate to ask questions of the two healthcare systems with regard to options for alignment, independence and the future.

Whatever the outcome, health care access, quality, costs, jobs and the relationship to the medical school at ETSU are all at issue. Wellmont’s decision will not happen in a vacuum and we also all want to know how this will affect Mountain States Health System. The end result is that the three
chambers drafted a joint letter requesting information and very recently mailed an identical set of questions to Wellmont and Mountain States.

The Board of Directors of the Bristol Chamber met Aug. 27, 2014, and discussed what the Chairman of the Board and I have done to seek answers to questions you are asking. They are just like everyone else, concerned about what an alignment will mean for Bristol, Kingsport, Johnson City and the region.

The Bristol Chamber Board very clearly stated that it is not taking a position to advocate for one particular option over another. The Chamber Board knows it is not an expert in health systems management, nor will we likely become experts in the next few weeks. The Bristol Chamber is highly respectful of the ongoing two-year process that Wellmont is undergoing and we are not asking Wellmont to divulge the identities of those with whom they are working.

Since the letter requesting information was only recently sent to both entities, we have not yet received a reply from either. On behalf of the Bristol Chamber, thank you for asking questions and being concerned. As soon as we receive a reply to our questions, we will communicate what we learn.
And then there were three — part two

By Jeff Keeling

Wellmont Health Systems’ board chairman, CEO and CFO met with the Business Journal in early August to discuss the not-for-profit hospital group’s progress toward some type of “strategic alignment” with another system. Wellmont had pared its list of potential partners from nine to three in late July. Our August issue reviewed parts of that conversation, and pledged a conclusion this month.

For-profit suitors out of the game

Board chairman Roger Leonard said Wellmont had some “really good proposals” from for-profit systems. CEO Denny DeNarvaez said those systems even “restructured what would be a normal type of deal in a for-profit to try to meet our needs.” In the end, though, Wellmont’s board ruled out what would essentially be a sale, with creation of a community foundation but “less control than in any other scenario,” Leonard said. Customarily, when for-profit systems purchase not-for-profits, some assets are placed into a newly created, non-profit community foundation.

“We decided that clinical focus, clinical excellence trumped the big offers, and the board unanimously believes the not-for-profit option was most consistent with that,” Leonard said.

How much ‘local governance’ is possible with a non-regional partner?

Wellmont, which on Aug. 6 launched a website dedicated to informing the community about its process (forwardwithvision.org), has said the remaining three candidates include “a regional system and two significant health systems beyond the region.” Leonard cited confidentiality requirements for not revealing whether Mountain States Health Alliance is the regional player.

Concerns have been raised that if Mountain States isn’t the ultimate partner, local governance at Wellmont may prove little more than window dressing. Asked to speak on the validity of that opinion, Leonard and DeNarvaez were noncommittal. Later in the interview, asked whether the current regulatory environment offered not-for-profit systems greater latitude in merging despite potential questions about anti-competitive results, Leonard said any alignment proposal will require an opinion from the state attorney general.

As to whether a regional merger would have potential upsides less likely with an out-of-area partner, the pair said concerns about adequate local governance were overblown. “I think there’s presumption that a regional partner may allow for more local control,” DeNarvaez said. “That’s not necessarily true. Non-regional partners can set up a lot of local control.”

Leonard said the local governance question is high on the board’s list of concerns as it vets candidates. “How many seats will they have on our board, how many seats will we have on their board, and what are the reserve powers that will be retained locally,” are among the specifics, he said.

‘Population health management’: A new day in reimbursements and care models

A decline in hospital admissions may be slowing, but they’re not expected to bounce back. With declining reimbursements, penalties for hospital readmissions and a trend toward managing patients’ issues in outpatient settings, hospital systems must shift some resources toward keeping people healthier (or at least less sick). If they can do that effectively, the theory goes, revenues will follow based on managing people’s health as opposed to simply treating their acute illnesses.

Leonard likened the approach to results he saw after implementation of a corporate wellness program. “We found out that the people that got involved in the wellness program cost half as much (for healthcare) as the people who weren’t involved in it,” he said.

To scale up that approach across Wellmont’s patient populations is the challenge. Programs will need to be developed using predictive modeling with respect to “populations” with specific disease states — from heart disease and diabetes to COPD and those with multiple chronic diseases.

“One question is, ‘how can we segment that population and determine how we can direct those particular segments into the proper intervention?’” Leonard said.

The right partner, he added, will have the expertise to do that predictive modeling and provide interventions not just in the hospital but in outpatient settings and homes.

“Population health management is sort of the next phase in health care,” Leonard said.
said. “This is a journey, but it’s something that’s going to require resources that a $750 million health system can’t do”

**Somebody get me a doctor**

*The number one question for us in this whole decision-making process is clinical excellence. That is driving the bus for us, and that’s what our mission is.*

— Roger Leonard

Wellmont has done well building its physician base, Leonard said. The system’s hospitals earn plaudits for a number of its clinical programs, with cardiology and oncology both consistently recognized. That said, the system faces a couple of challenges in the recruitment and retention game — and that is directly tied to ongoing clinical excellence.

For one, patient volumes in some sub-specialty practice areas aren’t always high enough to justify a full-time doctor. Ties with a larger system could allow for shared services in those areas, DeNarvaez said. That partner system might also work with Wellmont “on what it would take for our local medical school to be able to offer some of those services,” she said.

Perhaps the bigger issue, or at least the one that’s changing faster, centers around the “profile” of today’s new doctors and what they are looking for in a career — combined with the way reimbursement models are changing. Today’s residency graduates, Leonard said, are majority female. They are interested, both men and women, in lifestyle issues, and they want flexibility in addition to wanting “to be employed for the most part” as opposed to independent, he added.

“We have to accommodate the needs of these physicians in order to recruit them,” Leonard said.

DeNarvaez said doctors will need to be able to work within the new focus on population health management, just as the health system itself will. And a partnership, she said, could help Wellmont and its doctors navigate that sea change.

“In the past (for doctors) it was how fast you ran on the treadmill, how many units of service did you provide,” she said. “The future is, ‘How do you manage a profile of population?’ So now they’re starting to talk about, how large is the profile of a physician? They might be managed with extenders (nurse practitio-

ners, etc.) helping them. Folks who have experience with that bring us an expertise that we don’t currently have ourselves.”

**Questions remain as 2015 approaches**

Wellmont hopes to conclude its strategic process before the end of this year. The system is continuing to vet the final three candidates with respect to the factors above and those covered in last month’s article. They’re also looking for a partnership that will help them maintain capital investment to the tune of an estimated $30-$40 million a year. Updated plant and equipment, Leonard said, will have a direct impact on Wellmont’s ability to maintain clinical excellence.

And they’re looking out for Wellmont’s employees and the community at large, considering the huge economic impact the 6,500-employee system has.

“We’re asking for detailed plans about what the impact will be on employees, on benefits and salaries and what they can do on guaranteeing seniority,” Leonard said. Questions are also being asked about plans for corporate services and community support, including the approach to charity care. “We want to know how they are going to be good citizens with us in our community,” Leonard said.

It’s all part of what are expected to be final steps toward a conclusion. To that end, Wellmont leaders are reaching out to the community to hear peoples’ questions and concerns, Leonard said.

**The forwardthinking.org site includes a seven-question survey allowing people to rank the importance of various issues, accompanied by an open-ended comment box.** It also allows people to submit their names and contact information, so they can be invited to one of several community meetings Wellmont was planning to host as the *Business Journal* went to press.

“We still want to stay on this path of evidence-based analysis, because we believe in that, but a lot of these questions and concerns are allowing us to sharpen our thinking and our questions with potential alignment partners,” Leonard said.

The board hopes to conclude its process by the end of 2014.
KINGSPORT — The city of Kingsport is "strongly encouraging" Wellmont Health Systems and Mountain States Health Alliance to carefully consider the impact of their decisions regarding a possible merger, especially the economic impact resulting from the loss of local control.

This recommendation came in the form of a resolution narrowly approved by the Board of Mayor and Aldermen during its regular meeting Tuesday night. A similar resolution is expected to go before the elected bodies of Bristol, Tenn. and Va., Johnson City, Sullivan and Washington counties.

Earlier this year, Wellmont began a strategic initiative aimed at better securing its future, with options including aligning with another health system. Two months ago, the Wellmont board of directors indicated it had narrowed a list of potential partners from six to three, with one being a regional system and two from outside the area.

In response, a group of community, business and education leaders held a public meeting in Kingsport to discuss the matter and encourage the public to express their opinion on the issue.

According to the resolution approved Tuesday, the BMA strongly encouraged both boards of directors to carefully consider the impact of their decisions on the quality and availability of healthcare in the region and the economic impact potentially resulting from the loss of local control.

The BMA also wants the two boards to ensure a transparent process that is accountable to the communities they serve and be aware of the potential impact any decision would have on the stakeholders in the region. The resolution passed on a 3 to 2 vote with two members of the BMA abstaining.

Mayor Dennis Phillips, Vice Mayor Mike McIntire and Alderman Tom Parham voted for the resolution; Alderman John Clark and Alderwoman Colette George voted against it. Alderman Andy Hall, a Wellmont executive, abstained from voting, as did Alderman Tom Segelhorst, with the reason being he serves on the Indian Path Medical Center's board of directors.

Clark, an executive with Agfa Healthcare, said if he were on the Wellmont board, he would find the resolution a little offensive and coming across as if the BMA had no confidence in the board.

"I don't have enough information to make a well-informed decision ... if local control is better or not," Clark said.

Phillips said he did not have the utmost confidence in the Wellmont board, given the decisions over the past decade, from land purchases, to the fight over the Unicoi County hospital to the abrupt closing of the Lee Regional Medical Center.

"For the past 10 years it's been the CEO running the board," Phillips said.

George said she too does not have enough information to make an informed decision.

"We can't go back and fix the decisions made over the years with all of the fighting," George said. "The short-term fix is not what I'm really about. We have to look at a long-term fix."

Hall said the first thing that hit him when he read the resolution was why is the BMA doing this?
"This board had an opportunity to meet with the (Wellmont board). They heard your voice loud and clear," Hall said.

McIntire said he thinks the resolution simply asks the two boards to do their best with whatever decision they make.

"There will be a significant economic impact if (Wellmont) is taken over by an outside group and would rival the 1999 reduction in force at Eastman," McIntire said. "I've heard the two of them going together is not a long-term fix. I'll still take a short-term fix. I'm fine with saying it."

Phillips said the two corporate headquarters of Wellmont and MSHA have a $200 million impact on the Tri-Cities.

"My concern is if they sell to an out-of-state outfit ... they'll do whatever is necessary to make a profit ... lay off every person they can in the corporate offices," Phillips said. "I don't want to see eventually $150 to $200 million leave this area."
Johnson City Commission urges MSHA, Wellmont to stay local

GARY B. GRAY • SEP 5, 2014 AT 10:26 AM

ggray@johnsoncitypress.com

The Johnson City Commission voiced its concern Thursday through a resolution imploring both Wellmont Health System and Mountain States Health Alliance to maintain local control and not discontinue community ownership when and if these two systems merge or are sold.

Washington County Commissioners passed a similarly worded resolution Tuesday which also is expected to be endorsed by the Jonesborough Board of Aldermen.

Wellmont’s Board of Directors announced in February it had selected a firm to help guide the healthcare system’s selection of another hospital, or hospital system, with which to strategically align. Mountain States Health Alliance -- the region’s largest healthcare system with 14 hospitals in four states -- has been mentioned as a possibility, but Wellmont officials have not yet shown their hand.

The vote was 4-0 in support of the resolution. Commissioner Jenny Brock, an MSHA board member, recused herself.

Johnson City Mayor Ralph Van Brocklin, referring specifically to Wellmont’s situation, said the strategic alignment was “a fancy way to say that Wellmont was either looking to merge with another system or be acquired by one.”

Van Brocklin said nondisclosure agreements with Wellmont have created concern, since members of the community are being kept from knowing who the entities are and what their approach to healthcare would be. Any change will have an impact on economic development, because excellent healthcare is key to business retention, recruitment, attracting new residents and the retention of current residents, the mayor said.

“When you look at the fact that up to $15 million currently coming from Wellmont to support East Tennessee State University and their healthcare training programs is at stake, I think it is really part of our responsibility as leaders in the city that ETSU calls home to ask that the Wellmont board consider the impact their decision will have on this stakeholder, and others, as well.

“We are not trying to dictate a solution,” he continued. “The tone and intent of the resolution is to simply ask that the Wellmont board seek input from the community, that it seek input from the stakeholders and that it consider the very real importance of ensuring a continuing local voice in healthcare decisions ...”

Commissioners also unanimously passed a first reading of an ordinance to annex about 15 acres of land located off Laurel Canyon for a proposed 32-lot subdivision of Highland Parc. The expansion is expected to raise the assessed value of the property by about $2.3 million.

The owner-initiated annexation involves vacant land which would be utilized to extend the subdivision, identified on a request by the petitioner as Phase 5. The Johnson City Regional Planning Commission approved the annexation, an rezoning from A-1 (agricultural district) to R-2A (low density residential) and a plan of services to provide water and sewer in a 9-0 vote on Aug. 12.

City commissioners also approved the rezoning Thursday.

The owner states in the request that a total of 74 individuals are expected to inhabit the new dwellings. When complete, officials estimate the city will realize about $36,000 in annual property tax revenue and more than $26,000 in recurring service costs.
Like Gary B. Gray on Facebook at www.facebook.com/pages/Gary-B-Gray. Follow him on Twitter @ggrayjcpress.
The changing face of health care

BRISTOL HERALD COURIER | Posted: Sunday, September 7, 2014 9:30 am

Along with everyone else in the community, we anxiously await the decision by the Wellmont board of directors on whether and/or with whom they might create a new strategic alliance. Their good work and deliberations could lead to changing the face of health care in Bristol for generations to come.

Several community leaders in Bristol, Kingsport and Johnson City have expressed support, and are lobbying for a merger between Wellmont and Mountain States Health Alliance. While unconfirmed, Mountain States is rumored to be one of the three finalists for a potential merger.

Local control has been the rallying cry by the community leaders supporting a potential Wellmont-Mountain States merger.

We respect Wellmont’s decision to seek strategic options, but before jumping on the band wagon for a merger joining Wellmont and Mountain States everyone needs to take a moment to consider the potential consequences.

Typically, when two organizations merge, a justification for such a union is to seek operating efficiencies. This holds true for corporate mergers in most business sectors including health care. This often leads to a reduction or elimination of duplicated services.

Local health care organizations are facing challenges in both Tennessee and Virginia (as well as the rest of the country) tied the Affordable Health Care Act and the decision by Tennessee and Virginia legislatures to reject expanded Medicaid funding.

We are very fortunate to have three incredible medical facilities in the Tricities. We have two Level One Trauma Centers in Johnson City and Kingsport, and a Level Two Trauma Center in Bristol. We have outstanding cancer treatment facilities and wonderful cardiac care as well as many more, valuable services.

If a merger between Wellmont and Mountain States were to occur, one of the first questions begging an answer would be: Do we need this level of service in all three communities?

We have duplication of a number of very important services. Duplication among health care providers means competition, which in many cases results in a differentiation in pricing and levels of personal service.
Bristol, being the smallest of the three communities and the smallest of the three hospitals could be the odd-man out if a merger was to occur and duplicated services were deemed necessary to be eliminated.

This is a potential threat to the quality of life here in the Twin Cities.

Wellmont is Bristol’s largest employer. What would a merger mean to jobs in our community?

Change will be inevitable, regardless of who becomes successful suitor. Changes in service could be an outcome.

We are sure the good folks who sit on the board for Wellmont are taking all of these factors and many more into consideration while vetting the three finalists.

Roger Leonard, the board chairman and a resident of Bristol, has taken the lead in communicating with the staffs at the Wellmont facilities throughout Northeast Tennessee and Southwest Virginia.

We are very pleased that this board is taking its time to weigh all options and all potential consequences tied to a decision that will likely change the face of healthcare in our community now and into the future.
Don’t put too much faith in rumors about Wellmont’s ‘done deal’

Bob Arrington is a Kingsport attorney. Email him at r_arrington@chartertn.net.

I recently re-watched a movie that came out in 2006 called “Rumor Has It.” The film, which features Jennifer Aniston, Kevin Costner, and Shirley MacLaine, concerns a young woman (Aniston) who becomes convinced that her family was the inspiration for the book and movie “The Graduate.”

It turns out her suspicions are correct. Her grandmother (MacLaine) was the model for Mrs. Robinson, and the Costner character was the guy with whom her daughter ran away. In “real life,” i.e., the present movie, Aniston’s character’s mother is now deceased, and her fling with Costner was only that. She returned from it to marry her fiancé.

The film is great fun and illustrates how rumors have a way of persisting and becoming exaggerated. It also shows that sometimes a rumor is based on fact. But watching it again caused me to think about the persistence of rumors.

Spreading rumors (called gossip) is evidently one of humankind’s favorite pastimes. Women are accused of being the worst rumormongers. But in truth, there is little difference between the sexes in that respect. Gossiping is a sport in which everyone participates and which requires no particular talent.

Almost every rumor begins with a fact. The fact is not always an observed act. Usually it is the fact that someone said something about something. If the source is perceived as credible, those who hear it proceed to tell others. In doing so, they do two things. One is looking for evidence to confirm the rumor. The other is adding their own editorial comments.

In this way, rumors snowball and sometimes become unrecognizable from their origins. They also pick up debris in the form of real or fictitious corroboration. For example, suppose there is a rumor that the governor is going to appoint someone to a state commission. The source may be someone who is supposed to be close to the governor. The debris is that someone else heard that the person who is supposed to get the appointment went to Nashville last month.

All of the rumor may be true. All of it may be false. The additional “fact” that supports the rumor may be true (she went to Nashville), but meaningless (she went shopping in Cool Springs). Sometimes we find out later. Sometimes we never find out.

Rumors are ubiquitous. The same types of rumors keep showing up. Rumor has it that two of the employees of the same company are an “item” and cheating on their spouses. The “evidence” is that they were seen together at lunch whispering conspiratorially. It is later determined they were planning a surprise birthday party for their department supervisor. But the rumor persists because it’s a better story.

Rumor is now high-tech. Rumors used to be spread by word of mouth, delivered in person or over the telephone. Letter writing was too slow. But now we have email and the Internet. Thus, blogs, message boards, “tweets” and chat rooms are mechanisms for spreading rumors.

Nowhere is the electronic rumor mill more prominent than in the world of sports. Every time there is a coaching vacancy, especially but not exclusively in the college coaching ranks, the Internet hums with rumors. Not only is there a discussion of everyone’s wants, but there are countless predictions. Many of those doing the predictions claim “inside” knowledge and to “know” exactly what has happened and what is going to happen. Their mantra is, “It’s a done deal.”

The next football/basketball coach at Tennessee/Kentucky/Ohio State is definitely going to be Charlie Strong/Larry Fedora/Rich Rodriguez/Daffy Duck. Those who key in their words with such confidence rarely claim to have talked with athletics directors or college presidents or anyone else who really knows what’s going on. It is always second (or third or fourth) hand. “I talked to this guy who gives a lot of money and is tight with the Board of Trustees. HE says. . . .” You get the idea.

All of this brings us to the current local news about what Wellmont Health System (WHS) will decide about its future. Will it remain independent? Will it enter into some agreement with the neighboring Mountain States Health Alliance (MSHA)? Will it merge with a larger system headquartered outside of the Tri-Cities?
Don’t ask me. All I know about what is likely to happen is what I read in the newspapers or see on television. But never fear. If today’s columnist confesses to ignorance, you can nonetheless find plenty of people who know precisely what WHS is going to do.

Two weeks ago, I spoke with three different people, all of whom assured me that WHS had a “done deal” with someone. The problem is, the three “someones” were all different. One of these folks may be correct. Should it happen that way, though, I would bet the answer lies more in the realm of educated or lucky guesswork than anywhere else.

In each case, the person with whom I spoke was quite sincere. He really believed what he was saying. And in each case, the basis for the belief was having spoken with someone who had spoken with someone who knew someone else.

In fact, there are so many “done deal” rumors circulating that one might think WHS is a college football program in need of a coach. While rumors may be interesting, we ought to recognize them for what they are.

The WHS Board of Directors say they haven’t decided yet. It might be prudent to take them at their word and realize the public will know when (a) they know, and (b) the time is right for public announcement.

Dealing in rumor may be America’s pastime, or possibly the whole world’s pastime. But the fact that rumors are so popular does not lessen the need to separate rumor from fact.
Let Wellmont board do its job before taking to streets

By DALE SARGENT, M.D.

Dr. Sargent practices in Kingsport.

He said he wouldn’t do it, but everyone knew he was lying. That’s the way a high-powered businessman handles the local rubes. Keep them calm until you have time to drop the hammer.

We’d lost local control of our track and Bruton Smith was going to take away our races, just like he did in North Wilkesboro. He’d rip the economic heart out of our region without a second thought. I remember seeing him interviewed on WCYB. He politely told the interviewer that only a mental midget would think he’d spent all that money on the track just to shut it down. He was going to make Bristol something special. And he said it with such conviction. These outsiders are such good liars.

Then a funny thing happened.

Mr. Smith kept his word. He brought to bear all of the expertise, financial resources and vision of his sophisticated and widespread organization and made Bristol Motor Speedway the nation’s premier NASCAR venue.

He provided us with a community resource that none of us could have imagined. Maybe he saw something in our region and our people that we couldn’t see in ourselves. If we’d not lost local control of Bristol International Raceway, we wouldn’t have the BMS we know today.

Another such watershed moment is facing our community.

Wellmont Health System has provided great health care to our community for nearly two decades and is a major regional employer. Today’s health care landscape is changing rapidly. The old ways of providing care won’t allow us to be successful in the new environment.

Against this backdrop, the Wellmont Board of Directors has undertaken a yearlong project to determine if the region would be better served if Wellmont partners with a larger regional or national organization. As part of the process, the board has set several key criteria by which to judge any potential partner.

Any partner must be financially strong in order to allow us to continue to invest in people, facilities and equipment to stay abreast of scientific advances. It must have a commitment to Wellmont’s mission for providing safe, high-quality care to all or the region’s people. It must have the ability to recruit and retain high-quality physicians and partner with those physicians in designing care processes.

It also must have a proven track record of innovation and the ability to bring resources to bear that would help Wellmont take quality and care models to the next level. We’re a great regional system, but we’re not the Mayo Clinic. If our goal is to rise to that level, a partner with exceptional scale and sophistication is essential.

Currently I’m a practicing physician, but I served as Wellmont’s chief medical officer for 10 years. During that time I came to know and respect every one of the current board members involved in this project. Each one of them has spent years (some decades) learning about the complexities of health care. They are intelligent and dedicated volunteers who live in the community and are giving freely of their time and energy to make the best decision possible.
It saddens me to see that these folks are being criticized, in some cases harshly, by less well-informed members of the community as they try to develop a plan that will allow Wellmont to become the very best it can be, perhaps beyond any of our imaginations.

No good deed goes unpunished, I guess. The rallying cry of local control is supposed to trump any of the other criteria that have been thoughtfully and carefully developed. Certainly the board must keep the community informed and actively seek and consider community input. A process has been set up to do just that, but I doubt that those of us who plan to live and get our health care here for the rest of our lives want the process derailed by self-appointed experts offering simplistic solutions and vowing local control above all.

Jim Webb, in his book “Born Fighting,” points out that we Scotch-Irish are so hardheaded that we routinely refuse to accept change that is in our best interest.

It's the same “Friday Night Football” mentality that often keeps our local communities from cooperating for the common good.

Local control! Do we really want the old BIR back?
Local control! Are we as good now as we'll ever need to be?
Local control! The sky’s the limit ... as long as we realize that our sky only goes to the next ridge top.
Local control! The same guys who’ve been pulling the strings get to keep pulling them.
Bristol the way it oughta be! Right?
Maybe it would be better if we all took a deep breath and let the board complete its work and make a recommendation before we take to the streets.
Wellmont CEO stepping down down

DAVID MCGEE | BRISTOL HERALD COURIER | | Posted: Wednesday, September 10, 2014 11:19 pm

Wellmont Health System officials would only say Wednesday that Denny DeNarvaez no longer serves as president and CEO.

In an email to health system employees and a separate statement to the news media, Wellmont board Chairman Roger Leonard said that DeNarvaez left the post she has held for the past four years.

“After four years of strong leadership for our organization, Denny DeNarvaez has decided the time is right for her to leave her role as CEO of Wellmont,” Leonard said in the statement.

Wellmont, which is based in Kingsport, Tennessee, is currently assessing potential partners for a possible merger and DeNarvaez has been a vocal proponent of that process.

“We are experiencing a period of great transformation here at Wellmont as our board continues its process to explore the right and best path to ensure a future that allows us to thrive for generations to come. It is not unusual during these times of transition that there be a change in leadership,” Leonard said.

He also thanked DeNarvaez for her leadership, listed accomplishments during her tenure and wished her well.

In the statement, DeNarvaez said: “I am so proud of all that we have accomplished here at Wellmont during my time as CEO. Every day, our physicians and nurses and co-workers serve tirelessly to bring comfort and healing to patients and their families across the region during the most vulnerable of times. I thank everyone for welcoming me into the Wellmont family for the past four years and I hope you will understand my need to transition at this time.”
Jim Wozniak, the health system’s spokesman, said Leonard wasn’t available for further comment and no additional statements were planned.

DeNarvaez was paid about $1 million last year, according to a previous Wellmont statement.

Earlier this summer, questions arose about DeNarvaez and her possible personal use of a jet airplane partially owned by Wellmont. At that time, spokesman Jim Wozniak said DeNarvaez hadn’t violated any policies and the board took no disciplinary action.

In July, the system issued a statement attributed to former board Chairman Arthur “Buddy” Scott Jr.

“Wellmont’s board of directors takes our organization’s stewardship seriously and ensures appropriate policies and procedures are in place to preserve sound business practices. We take great care in establishing all financial policies, ranging from those that govern our budget and operations to the establishment of compensation and benefits,” according to Scott.

In June 2013, a group of independent physicians at Bristol Regional Medical Center gave DeNarvaez a vote of “no confidence,” citing a lack of communication. At that time, Scott said the board had “absolutely” no intention of relieving DeNarvaez of her duties.

Before joining Wellmont, DeNarvaez served with the Sisters of Mercy as CEO for the east and west regions, including Oklahoma and St. Louis, as well as CEO for St. John’s Mercy Health Care, with hospitals and operations in Missouri and Oklahoma. Prior to that, she managed hospitals in Minnesota and Florida.

In Wednesday’s statement, Leonard said the board expects to name an interim CEO.

“During this time of transition, the board and Wellmont’s executive leadership team will work together until an interim CEO is identified,” Leonard said. “The focus of our board continues to be the work of determining the right strategic direction for Wellmont and health care in our region, and we are encouraged by the options before us.”
“Hole in the wall gang” continues press for Wellmont-Mountain States merger talks

By Jeff Keeling

An Aug. 13 email from the Kingsport Chamber of Commerce titled “A Message from Our Mayor: Community Forum Concerning the Future of Local Hospitals” marked the beginning of a high-profile effort to influence Wellmont’s merger strategy. Since that day, and particularly following an Aug. 18 community forum in Kingsport, the campaign to “keep control of area hospital systems local” has taken on a life of its own.

It coincides with – and for all intents and purposes seeks to influence – Wellmont Health Systems’ “strategic options” process. Wellmont, a not-for-profit system whose flagship hospitals are Kingsport’s Holston Valley and Bristol Regional Medical Center, has whittled a list of prospective “strategic alignment” candidates to three (related story on page 14). Its leadership hopes to make a decision about a merger by the end of 2014. While the unnamed “regional system” left in the hunt is strongly rumored to be Mountain States Health Alliance, the recent effort’s main spokesman, longtime area banker Bill Greene said of Wellmont, “I’m satisfied they’re not going in that direction.”

To that end, Greene and what he calls a “hole-in-the-wall gang” comprised of some regional heavyweights in both the private and public sectors, have mounted their campaign. One of Greene’s primary criticisms involves what he says has been a lack of transparency in Wellmont’s strategic process, which the six-hospital, 6,500-employee not-for-profit system commenced in January. (Mountain States has 8,600 employees and 14 hospitals.)

But more transparency is far from Greene and Co.’s end game, which was largely laid out at the Aug. 18 forum. Coverage of that event from our sister publication is at jcnewsandneighbor.com/hospitalforum. That gathering, in front of an overflow crowd at the Kingsport Higher Education Center, included presentations from Greene, ETSU President Brian Noland, Kingsport Mayor Dennis Phillips, Dr. Jerry Miller and attorney Bruce Shine. The gist of their request is that:

Wellmont and Mountain States’ boards work together, with adequate transparency and in conjunction with East Tennessee State University, to study the potential advantages and feasibility of a merger of the two systems, with a resultant system that at some level formally includes ETSU’s health sciences division. To alleviate anti-trust concerns from the merger of two local systems and the creation, arguably, of a monopoly, they propose application for a “Certificate of Public Advantage,” a designation allowed by Tennessee law.
Greene said he’s convinced that if Wellmont’s leadership – who he first approached about the idea in mid-July – were to engage in such discussions, and if they led to the preferred arrangement, the outcome for the region’s health care climate and overall economy would be far preferable to Wellmont’s merging with an outside system. Greene’s thesis is built on several main premises:

- A local merger would allow the Wellmont-Mountain States combination to reduce duplication of services and manage declining revenues and declining admissions at a local level. Alternatively, he says, an outside buyer of Wellmont could easily continue what he calls an “arms race,” putting continued pressure on Mountain States to make business decisions that don’t necessarily benefit the community long-term. “We’ve got three hospitals that Mountain States owns going toward Wytheville, Va. on (Interstate) 81,” Greene says. “If you have a tertiary care patient you have to transfer from one of the hospitals you own, why do you drive by (Bristol Regional Medical Center)? Wouldn’t you rather we decide how to create efficiency locally?”

- The resulting efficiencies would free up financial resources, some of which could be plowed into a strategic effort to maintain and strengthen ETSU’s colleges of medicine, pharmacy, nursing and public health – and to focus sharply on leveraging those schools’ capacity to attract more funded research into the metro area. “It should be a three-legged stool,” Greene says. “Then you can enlarge the medical school, you can have more residency slots, you can have higher specialty training and we can get millions more in research.”

The effort has continued and broadened somewhat since. The week of Sept. 1, the Washington County Commission, Johnson City Commission and Kingsport Board of Mayor and Aldermen all approved similar resolutions “in support of maintaining local control of healthcare systems.” In Kingsport, home of Wellmont’s headquarters, the resolution passed 3-2 (with two abstentions).

The resolutions (full text of Johnson City’s is at bjournal.com/localresolution) don’t name hospital systems, but generally reflect the effort led by Greene. That effort features a website, saveyourhospitals.com, that offers a seeming counterpoint to Wellmont’s website dedicated to informing the public about its strategic process, forwardwithvision.org. (Wellmont issued a short response after the forum, and has indirectly acknowledged the Greene-led effort through some of the material in its website.)

Perhaps most significantly, and almost certainly not coincidentally, the effort has been accompanied by public comments touting the supposed advantages of maintaining hospital system local governance – albeit much more circumspect than Greene’s – by Noland and by Mountain States CEO Alan Levine.

**Noland: “A once-in-a-generation opportunity”**

“...I applaud Wellmont’s board for the manner in which they’re reviewing this, and I’m confident that when decisions are made, we’ll do what we’ve done in East Tennessee for decades – we’ll put the needs of the region first.”

Those words marked Brian Noland’s primary nod to Wellmont during a short address to members of the Washington County (TN) Economic Development Council at its Aug. 21 meeting. His other remarks reiterated sentiments he had expressed at the community forum regarding the potential for enhanced research at ETSU, and the consequences of potential reductions in residency slots at Wellmont and Mountain States.
Noland said the health care systems and ETSU have the potential to come together and address “population health challenges” present across the region.

“This is a decision and a potential that doesn’t come around often,” Noland said. “The decisions that will be made here in the next couple months not only impact us, but will impact generations of East Tennesseans.”

Noland touted ETSU’s health sciences credentials, including Quillen College of Medicine’s No. 1 national ranking in placing physicians in rural areas, its No. 6 ranking in rural and family practice and the university’s $50 million in sponsored research. With an effort like that envisioned by Greene, he implied, that impact could blossom further.

“Our $50 million figure could very easily double,” Noland said of the research component, adding that such a result would create an additional economic impact of about $110 million, given the 2.2 “economic multiplier” of health care research. And he said the case for a Wellmont-Mountain States-ETSU triple threat “is beyond compelling.”

“It’s good for the region, it’s good for our people, it keeps health care decisions local, but it is a shot of adrenaline through East Tennessee State University.”

He predicted such a change, long-term, could make ETSU one of the flagship health sciences institutions in the South. And he warned against a future that doesn’t involve local control of the hospital systems.

“If these two systems go and are controlled by outside entities, 40 years from now we’re all going to sit back and say, ‘what could have been?’ I cannot overstare the importance of the decisions that are about to be made.”

**Levine: “Nothing an outside system can do for us that we can’t do for ourselves”**

Mountain States Health Alliance CEO Alan Levine. (Photo by Adam Campbell)

Alan Levine, CEO at Mountain States since January, did not attend the Aug. 18 forum, but did speak to the EDC board Aug. 21. Levine understandably took care to say he was not there “to talk about Wellmont and their process.” He then expounded on points he made in an Aug. 14 “community update letter” in which he and Mountain States Board Chairwoman Barbara Allen laid out Mountain States leadership’s intention to remain locally governed, and the factors they believe make that a viable option.

Levine ran down Mountain States’ financial and patient volume information, including projections out to 2019. He explained a projected decline in inpatient utilization in the market, particularly with Mountain States’ 124 admissions per 1,000 population compared to national averages ranging from 110 all the way down to 76.

“There’s going to be a lot of empty capacity, and it’s very costly capacity,” Levine said. With 60 percent of reimbursements fixed by government payors, significant debt and fixed costs to maintain, he said, systems must either increase revenue or “push cost out of the system.” He implied that merger with a significantly larger system, which Wellmont leaders have suggested is their
aim, could only create revenue increases by passing costs on to employer-funded health insurance plans, meaning ultimately to patients. “That is precisely the wrong approach,” Levine said.

Rather, he suggested, a successful COPA agreement could create efficiencies in a way that benefits area residents and the economy. Levine repeated the traditional premise that when it comes to health care, “it’s not the same type of competition.”

Instead, he said, in the very capital-intensive hospital industry, the redundancy that creates efficiencies or savings in most market sectors “can create cost.”

Such has been the case with much of the money spent and debt incurred at Mountain States (and presumably Wellmont) “in the name of competition,” Levine said.

He cited a COPA in the Asheville metro that the Mission hospital system has operated under for a number of years as an indication that such an agreement could work here. According to Mission’s website, he said, the system’s “average charge per patient discharged is $3,000 lower than their peer group average.” The system also receives accolades for quality, he added.

With respect to research, residency positions and economic growth, Levine said Shands Healthcare in Florida offers a model. Levine serves on the board of Florida’s university system, and Shands, with close ties to the University of Florida, is a research juggernaut. It’s smaller than Mountain States, but garnered $80 million in National Institutes of Health grants in the last year alone. Levine said he believes such an outcome is possible in the Tri-Cities.

“The ability to work together no matter what Wellmont’s decision is, to try to find ways to work together with ETSU to develop research and academics is something that we would rightfully be able to say, we are a major hub for health care research and academics,” Levine said.

“Making a commitment to research is like starting a whole industry in this region with high-wage jobs in the sciences.”

Pulling that off could be easier with an integrated hospital system, Levine seemed to suggest.

“If we’re in an environment where all we’re doing is clubbing each other over the heads to steal patients from each other or whatever, if you’re spending resources on that, then it’s harder to put resources into the investment at ETSU.”

**What’s to say it would even be allowed?**

At the Aug. 18 forum Shine, a Kingsport attorney, said even if Wellmont and Mountain States chose to pursue a merger, it would have to be reviewed and approved by the Tennessee Attorney General. Shine told the Business Journal he did not think Tennessee had yet allowed or even considered a COPA of the magnitude being discussed.

“These hospital mergers are exceptions to federal antitrust law, which is allowed by state law, and therefore there is a keen interest to make sure that competition is not decreased,” Shine told people at the Aug. 18 gathering. He added, however, that Tennessee’s “Hospital Cooperation Act of 1993” balances likely decreases in competition against other likely gains for the community.
The law states that a COPA can be issued by the attorney general if it is determined “that the applicants have demonstrated by clear and convincing evidence that the likely benefits resulting from the agreement outweigh any disadvantages attributable to a reduction in competition that may result from the agreement.” (TCA 68-11-1303 [d]).

According to the law, benefits that could outweigh decreased competition include: enhancement of the quality of hospital and hospital-related care; preservation of hospital facilities in geographic proximity to the communities traditionally served by those facilities; gains in the cost-efficiency of services provided by the hospitals involved; improvements in the utilization of hospital resources and equipment; and avoidance of duplication of hospital resources. (TCA 68-11-1303 [1] (A-E)

Shine said the process could be completed fairly quickly and allows for significant public input. Greene, for his part, is confident a deal could get approval. “I’m as satisfied as I’m sitting here,” he said during the Business Journal interview. The full text of Tennessee’s law can be found at bjournal.com/copalaw.

There is one wrinkle. Virginia doesn’t have an existing COPA law, and both systems have hospitals in the commonwealth. In fact, Greene believes that may be one reason Eastman Chemical Co. has remained silent since the “hole-in-the-wall gang” went public – and Eastman’s silence, he said, is one reason he considers the odds of a Wellmont about-face to be less than 50-50. Greene isn’t deterred, and believes with federal involvement and the political clout of some of the folks behind the effort, some sort of regional dispensation could be arranged.

“If the community can demonstrate they would like this approval, we’re satisfied we could get the approval in Southwest Virginia,” he said.

**No rose garden promised – just a fighting chance**

Greene says he’s under no illusions that the future of health care in the region will be without additional economic hardship to that inflicted in the past couple of years, which have seen layoffs at both systems. The region remains poorer and less healthy than the nation as a whole. With reimbursements declining and reform likely to further drive down the inpatient admissions per 1,000 population mentioned earlier by Levine, “there will be pain,” Greene said. “It’s going to knock you in the creek either way.”

But like Levine, Greene is convinced that an outside system operating in the metro would likely recoup its investment by using its scale to wring higher payment out of insurors. That, he said, would ultimately be borne by local consumers.

“If you’re together, it stands to reason you and I can control the number of beds better than someone from Charlotte with half the facility (Wellmont),” Greene said. “If you don’t put heads in beds (potentially fewer beds via efficiencies), in this region small business starts paying the price.”

He also believes it would be simply a matter of time, should an outside system purchase Wellmont, before Mountain States would be backed into a corner and forced to consider a merger as well. Levine and Mountain States’ board have come out as adamantly determined to retain local governance. But the Levine-Barbara Allen letter of Aug. 14 hedged, saying “we will not depart from this strategy unless fundamental changes in our local market force us to do so.” Greene doesn’t think it should come
to that, and hasn’t yet come to that for either system. He says he’s still hoping Wellmont’s board will come to the table with other local leaders to discuss the possibility.

“I’d like someone to tell me what someone from outside – Novant, Carolina Health (both hospital systems) – can bring to our region that we can’t do for ourselves. We’re as smart as everyone else in the United States. Let’s get on with it.”
Kingsport mayor: Wellmont shakeup “step in the right direction”

Phillips hopes Wellmont board will dialogue with community about hospitals’ future

By Jeff Keeling

At least one local leader who has been calling for more transparency in Wellmont Health System’s search for “an alignment partner” believes Wellmont CEO Denny DeNarvaez’s resignation Wednesday is a good sign.

Kingsport Mayor Dennis Phillips was among a panel of leaders who spoke at an Aug. 18 forum signaling the public kickoff of a “Save Your Hospitals” effort. It came shortly after Wellmont had reduced its number of merger contenders to three, and had two main aims: encouraging greater Wellmont board transparency in its process, and pushing for consideration of a local merger between Wellmont and Mountain States Health Alliance.

Saying he was surprised DeNarvaez had resigned (read a related letter from Wellmont’s board chairman at forwardwithvision.org/wellmont-ceo-to-transition-from-her-role/), Phillips added that he thought the move was “a step in the right direction.” Wellmont announced DeNarvaez’s resignation in a news release just before 5 p.m. Wednesday.

Phillips said he hoped the board could sit down and involve the community more in such an important process.

“As I have said before, I think the CEO was driving the hospital board, and I think that the board is to be commended for stepping up and making some good decisions,” Phillips said. He made reference to a group informally headed by local banker Bill Greene that in mid-July began privately pressing DeNarvaez and the Wellmont board to meet and sincerely consider something other than sale to an outside buyer.

Wellmont and Mountain States both are not-for-profit systems. Wellmont’s flagship hospitals are Holston Valley Medical Center and Bristol Regional Medical Center. Mountain States’ is Johnson City Medical Center.

Greene has since told the News and Neighbor that he and others were convinced the Wellmont board had essentially ruled out seeking a partnership, merger or other arrangement with Mountain States.

“I think we can continue the progress that Bill Greene’s group has made in the last 60 days, and do the right thing for the community and the employees of Wellmont. Those are the two most important things we need to consider.”

DeNarvaez served as Wellmont CEO for four years. Citing a need to position itself for the future uncertainties in health care reform, the Wellmont board announced it would launch the strategic process in January. Kaufman-Hall, a Chicago-area healthcare consultancy, has been helping lead Wellmont’s process.

“There are few things more important to this community than what happens to the hospital,” Phillips said. “I think we need to keep that in mind.”

For background stories on the recent “Save Your Hospitals” effort from News and Neighbor and its sister publication, The Business Journal, and for information about how a local merger might be approved, click the following links:

jcnewsandneighbor.com/hospitalforum/.
KINGSPORT — Wellmont Health System President and CEO Denny DeNarvaez has resigned.

Roger Leonard, chairman of Wellmont Health System's board of directors, issued the statement Wednesday afternoon.

"After four years of strong leadership for our organization, Denny DeNarvaez has decided the time is right for her to leave her role as CEO of Wellmont," Leonard said. "We are experiencing a period of great transformation here at Wellmont as our board continues its process to explore the right and best path to ensure a future that allows us to thrive for generations to come.

"It is not unusual during these times of transition that there be a change in leadership."

DeNarvaez joined Wellmont in August 2010 and during her tenure created the vision and leadership model for Wellmont Medical Associates — a physician-led and professionally managed organization that empowers physicians to set the direction for patient care. DeNarvaez also restructured the oncology service line by creating the Wellmont Cancer Institute — a unified program providing comprehensive, coordinated care across the region.

Since joining Wellmont, DeNarvaez also launched the Healing Environment initiative to enhance the hospital experience for patients and visitors alike, required all Wellmont employees to receive flu vaccinations each year and created physician clinical councils.

"I am so proud of all that we have accomplished here at Wellmont during my time as CEO," DeNarvaez said. "Every day, our physicians and nurses and co-workers serve tirelessly to bring comfort and healing to patients and their families across the region during the most vulnerable of times.

"I thank everyone for welcoming me into the Wellmont family or the past four years, and I hope you will understand my need to transition at this time."

DeNarvaez has 30 years of executive experience, previously serving as CEO of Sisters of Mercy for the East and West regions and CEO of St. John's Mercy Health Care. Prior to leading the Mercy system, DeNarvaez was the president of Abbott Northwestern Hospital, the largest hospital in Minnesota's Twin Cities, and before that, CEO of Florida Medical Center in Fort Lauderdale, Fla.

DeNarvaez graduated from Drake University with a bachelor's degree in accounting. She is a certified public accountant and holds leadership certifications from the University of Michigan Business School in Ann Arbor and the University of St. Thomas in St. Paul, Minn.

She received the Visionary Leadership Award from the Missouri Hospital Association in 2009 and was named one of the Top 25 most influential businesswomen by the St. Louis Business Journal in 2007.

"We thank Denny for her contributions to Wellmont during the most pivotal time ever experienced in the health care industry," Leonard said.

During this time of transition, Leonard said the board and Wellmont's executive leadership team will work together until an interim CEO is identified.
"The focus of our board continues to be the work of determining the right strategic direction for Wellmont and health care in our region, and we are encouraged by the options before us," Leonard said.

Earlier this year, Wellmont began a strategic initiative aimed at better securing its future, with options including aligning with another health system. Two months ago, the Wellmont board of directors indicated it had narrowed a list of potential partners from six to three, with one being a regional system and two from outside the area.

Local community and business leaders, along with several Tri-Cities governments, have gone on the record urging Wellmont to consider the possible loss of local control if a merger were to take place.
KINGSPORT, Tenn. - The CEO for Wellmont Health System is out.

According to the chairman of Wellmont's board of directors, Denny Denarvaez has decided to leave her role with the healthcare company.

The chairman issued a statement that says in part, "During this time of transition, the board and Wellmont's executive leadership team will work together until an interim CEO is identified."

Denarvaez released a statement saying in part, "I am proud of all that we have accomplished here at Wellmont during my time as CEO. I thank everyone for welcoming me into the Wellmont family for the past four years and I hope you will understand my need to transition at this time."

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Wellmont CEO steps down amid massive changes for health care system

By Anisah Hamour Published: September 10, 2014, 5:22 pm Updated: August 5, 2015, 1:23 pm

TRI-CITIES, TN/VA (WJHL) – The head of Wellmont Health System hands in her resignation as the company she led for four years prepares to undergo major changes.

Wellmont CEO Denny DeNarvaez announced Wednesday it’s time for her to move on, but she offered little explanation for the decision.

For months, DeNarvaez has led Wellmont through a public courting of sorts with other health care companies with whom there could be a merger, likely by the end of the year.

A few weeks ago, community leaders launched a public campaign to get DeNarvaez and Wellmont to partner with its competitor Mountain States Health Alliance, and keep its headquarters here in the Tri-Cities.

The announcement came in the form of a news release, sent out to media around 5 p.m. Wednesday. In it, a statement that “Denny DeNarvaez has decided the time is right for her to leave her role as CEO of Wellmont.”

A spokesman said the company would make no further comment at this point.

The timing is notable as the company is by its own admission on the verge of a massive change, a possible sale or alignment with another health care company.

Last January, DeNarvaez told News Channel 11 that the present realities in health care required Wellmont to adjust with the times.

“If you look out five years from now, every single element of reimbursement is being challenged and none of it is to increase. And when you have 70 percent plus of your revenue dependent on the federal government, the reality is that everything they’re doing is impacting us,” she said.

The past four years have been marked by internal struggles as well. In June 2013, as Wellmont Health System eliminated 100 positions to cut costs, a group of physicians at Bristol Regional Medical Center cast a vote of no confidence citing a lack of communication between physicians and management.

But DeNarvaez held on to support from the Board of Directors.

“You can boil this down pretty much to the need to involve physicians at the appropriate time in crafting the correct solutions for problems affecting patient care,” said Buddy Scott, former Chair of the Wellmont Board of Directors.
The terms of a DeNarvaez departure are unknown. But the CEO’s most recently reported annual salary came in at over $1 million, something she defended to News Channel 11 just a few months ago.

“It’s very much earned and then some… I’ve been at the CEO level now for 20 years, it didn’t happen yesterday. And that is something I never apologize for, it didn’t happen by luck, it happens by having to perform constantly,” she said.

In the news release, DeNarvaez also said she hoped Wellmont employees and the community understood her need to transition at this time.

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A physician’s perspective of the changing health care scene

Jack Butterworth | | Posted: Friday, September 12, 2014 9:30 am

Currently, in this new century, we are seeing sweeping changes in health care in our nation and region. Multiple forces are placing pressure on hospitals. These changes address financial strength as well as practice application. With these changes come the accelerating costs of new technologies. Wellmont Health System, with responsibility to offer high quality care to our region, must address these issues.

Since 1971, I have practiced urology and participated in medical organizations in our region and state. During this time, I have grown to know our medical community and the standard of care presented to this region. I hold great respect for the physicians, nurses and administrators who devote their time and talent in offering a high-quality medical service. Indeed, I personally prefer to receive evaluation and treatment in our Tri-Cities for myself and family.

A voluntary Board of Directors which employs a management team for direct implementation directs the Wellmont Health System policies, a standard for most community, not-for-profit systems. This board has invested uncounted hours of education-based attention to gain an understanding of the evolving spectrum of healthcare change. Quality growth of services at a level beyond past performance and meeting expectations for the future has been the goal for the board’s deliberations. The individuals from our communities, who compose that board, offer uncompensated time because they wish the best medical care for their families and their neighbors.

For the past two years I have participated in discussions related to this changing scene in healthcare as a member of that board. While I personally would like for our system to remain independent, and initially pressed for that position, I became convinced that growing the care in
our region would require a stronger base than we could establish independently. Alignment with an appropriate partner on terms outlined by the board was the optimal choice in my opinion.

An understanding of the developing healthcare changes is the motivator for evaluation of possible partners who are capable of offering growth, financial strength and durability of optimal healthcare in our service area. Local governance and maintenance of our mission, vision and values are among the anticipated outcomes. Because Wellmont currently is a very attractive potential partner, the time is appropriate to initiate these investigations.

Remembering the advice of the American League Philosopher, Yogi Berra, one understands, “It is tough to make predictions, especially about the future.” Responsible planners of healthcare today must make decisions based upon currently available data.

As a long-time clinician, as well as a husband, father and patient, I am excited for the opportunities a partnership will give us to enhance both quality care and access. As a resident of Bristol, I am proud of the leadership our board has shown to protect the future of health care in our community. At the end of the day, we all have the same goal: To ensure that our family, friends and neighbors have access to world-class health care right here in our community today, and for generations to come.
Merger still on tap? Wellmont won't seek permanent CEO

NATHAN BAKER • SEP 12, 2014 AT 8:39 AM
nbaker@johnsoncitypress.com

Exactly how the sudden resignation of Wellmont Health System CEO Denny DeNarvaez will affect the organization’s ongoing search for a merger was unclear Thursday, but a spokesman said the company’s governing board does not plan to seek a permanent CEO to replace her.

In the emailed statement sent Wednesday, Wellmont’s Board of Directors Chairman Roger Leonard commended DeNarvaez for her four years at the helm of the regional health system, and committed the board and executive leadership to finding an interim CEO to replace her.

“The focus of our board continues to be the work of determining the right strategic direction for Wellmont and health care in our region, and we are encouraged by the options before us,” Leonard states in the email.

In a response to an inquiry, Wellmont spokesman Jim Wozniak said Thursday that the board had no plan to seek a permanent CEO to lead the company.

Officially begun in January, through their process to analyze the potential for a partnership or merger, the board of directors has whittled the original field of nine health care systems whittled down to three, two from outside the area and one characterized as “a regional system.”

Wellmont officials maintain they are seeking a qualified nonprofit partner company, who will continue to advance the system’s mission and dedication to the residents it serves in Northeast Tennessee and Southwest Virginia.

Bill Greene, a local banker and one of the people behind a recent campaign to convince Wellmont to either remain a self-governed entity or merge with local competitor Mountain States Health Alliance, said he wouldn’t venture to speculate how DeNarvaez’s resignation would affect the search.

“I don’t have any comment on that, as far as we’re concerned,” he said. “We’re not interested in micromanaging Wellmont, I never thought about it.”

Greene, an advocate of a Wellmont-Mountain States merger, said he supports Wellmont’s board of directors and he respects their process during the partnership search.

He renewed a call to the board to involve more residents and employers in the process, hoping for more input from the community to be considered.

“We’d love to have some contact with (the board),” Green said. “I feel like it’s an outstanding board. They have the power to make whatever decisions they want to make, and I embrace and support them.”

In the statement Thursday, Wozniak reiterated the board’s intended schedule to conclude the merger search, saying Wellmont still anticipates a recommendation near the end of this year.

Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook: www.facebook.com/jcpressbaker.
Wellmont CEO resigns as merger talks continue

JOEL SPEARS Managing Editor | Posted: Friday, September 12, 2014 6:00 pm

KINGSPORT — Following a month of proposals and controversy regarding the future of one of Hawkins County’s largest healthcare providers, Wellmont Health System CEO Denny DeNarvaez resigned her post Wednesday, giving little reason for her sudden departure.

Wellmont’s communications department issued a press release at close of business on Wednesday that included a statement from Roger Leonard, chairman of Wellmont’s board of directors, as well as a brief statement from DeNarvaez.

“After four years of strong leadership for our organization, Denny DeNarvaez has decided the time is right for her to leave her role as CEO of Wellmont,” he wrote. “We are experiencing a period of great transformation here at Wellmont as our board continues its process to explore the right and best path to ensure a future that allows us to thrive for generations to come. It is not unusual during these times of transition that there be a change in leadership.”

The chairman thanked DeNarvaez for her contributions during what he called “the most pivotal time ever experienced in the health care industry.”

According to Leonard, under DeNarvaez’ leadership Wellmont has established Wellmont Medical Associates, the Wellmont CVA Heart Institute and the Wellmont Cancer Institute as “market leaders.”

She also introduced the organization’s LiveWell initiative; expanded its regional access through new physician offices, testing centers and urgent care centers; implemented the Epic electronic health record with record pace and best-practice execution; adopted the Healing Environment, which advances the patient- and family-centered focus of care delivery.

“We wish her well in her future endeavors,” he concluded, adding that Wellmont’s board and executive leadership team will work together until an interim CEO is named.

DeNarvaez also wrote, “I am so proud of all that we have accomplished here at Wellmont during my time as CEO. Every day, our physicians and nurses and co-workers serve tirelessly to bring comfort and healing to patients and their families across the region during the most vulnerable of times.

“I thank everyone for welcoming me into the Wellmont family for the past four years, and I hope you will understand my need to transition at this time.”
On Thursday, as Wellmont began its search for an interim CEO, the decision-making process also continued in the search for a merger partner.

At last count, the healthcare system had narrowed its options to three systems, but not all were regional, which raised concerns that the Kingsport-headquartered Wellmont could be taken out of local hands.

In Leonard’s press statement, he also wrote that, “The focus of our board continues to be the work of determining the right strategic direction for Wellmont and health care in our region, and we are encouraged by the options before us.”

However, not everyone in Wellmont’s service area was in agreement.

In August, *Bristol Herald-Courier* reported that Bristol (Tennessee) Mayor Lea Powers decried a “cloak of secrecy” has surrounded merger deliberations, leaving a “feeling of unrest about future healthcare options.”

Kingsport Mayor Dennis Phillips also expressed his concerns and on Aug. 18 organized a community meeting for the public to express their opinions about the “what ifs,” should control of Wellmont be taken out of the Tri Cities area.

“It is imperative that the industry leaders, business people, civic groups and all citizens learn as much as possible concerning the current Wellmont situation ...,” the mayor stated in a press release issued by Kingsport Chamber of Commerce on Aug. 13. “For the sake of our City, County, and Northeast Tennessee, we must insure that we get this decision right ....”

According to previous reports, Wellmont’s options for continued success as a healthcare provider are 1) remain independent, although Leonard’s board has stated it does not feel this is a possibility; 2) merge locally to become a larger medical facility; or 3) merge and/or sell to an out-of-area large medical facility where local control would be in question, a permanent and irreversible action.

Following Phillips’ community meeting, Wellmont officials released a statement that said, “We are still in a process of listening and learning, and we have reached no conclusions. While Monday’s forum was not our event, we felt it was important to be there to listen and learn. Representatives of Wellmont attended and our board will study the information. We did not want to risk an atmosphere of debate at the meeting, which is why our board and management team were not in attendance. Because we have not drawn conclusions, we do not have a position to debate at this stage of the process.

“We have upcoming meetings planned throughout our communities and our system and welcome the community to join us. For those who are interested in joining us for one of those meetings,
getting the latest information or submitting thoughts or questions, we encourage you to visit www.forwardwithvision.org.”

Also, according to the Mayor’s statement, a decision on the merger will be made by December.

In Hawkins County, Wellmont provides healthcare services at the following locations: Hawkins Co. Memorial Hospital, Rogersville; CVA Heart Institute, Rogersville; Allandale Outpatient Campus, Kingsport; Hawkins Co. Memorial Outpatient Rehabilitation, Rogersville; Wellmont Medical Associates Church Hill; Wellmont Medical Associates Rogersville; and Hawkins Co. Memorial Sleep Evaluation Center, Rogersville.
Bart Hove named interim Wellmont president

Posted: Monday, September 15, 2014 10:28 am

KINGSPORT, Tenn. — The former president of Bristol Regional Medical Center will serve as Wellmont Health System's interim president and CEO, officials announced this morning.

Bart Hove, who served as BRMC’s president for 12 years, will start his new role Tuesday, according to the written announcement.

Hove retired in the spring of 2013, citing health reasons. He said in an internal message to staff this morning that he has "come to terms" with those health issues, and is ready to come back to Wellmont and lead the health system as it continues its search for a partner institution.

Wellmont spokesman Jim Wozniak said this afternoon that Wellmont board officials asked Hove to return to the company.

“Bart is a remarkable leader who was instrumental in Wellmont’s success during his earlier tenure with us,” said Roger Leonard, chairman of the health system’s board of directors, in a statement. “He is familiar with Wellmont’s operations and has worked hand in hand with our executive leadership team, so he will hit the ground running.”

Hove succeeds Denny DeNarvaez, who resigned last week after four years as president and CEO.

For continuing coverage on Wellmont’s leadership changes, return to Tricities.com and read Tuesday’s Bristol Herald Courier.
UPDATE: Hove named Wellmont's interim CEO

NATHAN BAKER • SEP 15, 2014 AT 5:46 PM
nbaker@johnsoncitypress.com

A former Wellmont Health System executive returns to lead the regional nonprofit organization through the remainder of its search to find a merger.

According to a Monday statement from Wellmont, former CEO Denny DeNarvaez, who abruptly resigned from her post last week with little explanation, was replaced by Bart Hove, a 12-year president of Bristol Regional Medical Center.

After the approval of the health system’s board of directors, Hove will take up the interim CEO position Tuesday, the statement said.

“We are grateful Bart has agreed to assist us during this important time in Wellmont’s history and know his wisdom and experience will benefit our organization considerably as we move forward,” Board of Directors Chairman Roger Leonard said in the release.

After DeNarvaez’s resignation, a Wellmont spokesman said the board would seek an interim CEO, but would not begin a search for a permanent executive to take the system’s helm.

Now a year-and-a-half into an evaluative process seeking a health system with which to merge, the statement Monday said the board has decided to affiliate, and has narrowed the field to three — a regional system and two based outside the area.

Even with DeNarvaez’s departure, the board still expects to announce the final decision on the partner search near the end of the year, Leonard said.

Bill Greene, a local banker who has helped organize a recent campaign to urge Wellmont to merge with its competitor Mountain States Health Alliance, would not venture to guess last week regarding how the change in leadership might affect the merger search.

Greene said he supports Wellmont’s board of directors and respects their decisions during the process, though he encouraged collaboration with community stakeholders.

“We’d love to have some contact with (the board),” he said. “I feel like it’s an outstanding board. They have the power to make whatever decisions they want to make, and I embrace and support them.”

Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook: www.facebook.com/jcpressbaker.

Previously reported:
Bart Hove, a 12-year president of Bristol Regional Medical Center, was tapped to lead Wellmont Health System through the remainder of the Board of Directors' merger search, a press release from the nonprofit hospital system said Monday.

Hove takes over for the system's former President CEO Denny DeNarvaez, who announced last week she was stepping down from her executive position.

His interim appointment becomes effective Tuesday, after his selection by Wellmont's board to succeed DeNarvaez.
Prior to joining Wellmont, Hove served as CEO of Delta Regional Medical Center in Greenville, Mississippi; president and CEO of Good Samaritan Hospital in Lexington, Kentucky; CEO of Crestwood Hospital in Huntsville, Alabama; and administrator of Beaches Hospital in Jacksonville, Florida. He was a longtime fellow of the American College of Healthcare Executives.

Wellmont's Board of Directors, who are nearing the end of a year-long search for a health system for Wellmont to merge or partner with, said last week they would not seek a permanent CEO for the system of hospitals and clinics.
Wellmont finds interim CEO

STAFF REPORTS • SEP 15, 2014 AT 12:46 PM

Bart Hove, who has served as president of Bristol Regional Medical Center for 12 years, has been selected as Wellmont Health System's interim president and CEO.

Hove will begin his service Tuesday, Sept. 16, and bring 37 years of experience in health care administration to the helm of Wellmont. He will head the executive leadership team for a diverse health system that has set a standard of excellence for the region in health care delivery. He will work with Wellmont’s corporate team and divisional presidents to build on the strengths of all Wellmont hospitals together with Wellmont Medical Associates, the Wellmont Cancer Institute and the Wellmont CVA Heart Institute.

Hove succeeds Denny DeNarvaez, who recently resigned after four years as president and CEO.

"Bart is a remarkable leader who was instrumental in Wellmont's success during his earlier tenure with us," said Roger Leonard, chairman of the health system's board of directors. "He is familiar with Wellmont's operations and has worked hand in hand with our executive leadership team, so he will hit the ground running. "We are grateful Bart has agreed to assist us during this important time in Wellmont's history and know his wisdom and experience will benefit our organization considerably as we move forward."

Wellmont's board has been engaged for a year and a half in a thorough evaluation of the health system's long-term future in light of the changing national health care landscape. The board has decided to affiliate with another organization and narrowed the list of organizations it is considering to three. The process is in a due diligence phase, with the board possibly deciding on a partner by the end of the year.

"It's an honor for the board to ask me to work with them as we examine Wellmont's options for the future," Hove said. "I have seen the organization's tremendous growth and innovation and witnessed sensational care delivered every day by our outstanding physicians, nurses and other dedicated medical professionals. This will only accelerate as Wellmont takes the next step in its development of the best health care anywhere."

During his time at Bristol Regional, the hospital elevated the quality of care through multiple initiatives.

Bristol Regional was designated a Primary Stroke Center and greatly expanded its emergency department and Level II trauma center. The hospital also bolstered its oncology and interventional cardiology programs with new facilities and became the regional leader in robotics with CyberKnife Robotic Radiosurgery System and da Vinci Surgical System. While with Wellmont, Hove was selected as the 2009 recipient of the Tennessee Hospital Association's meritorious service award.

"With the help of so many people, we greatly enhanced the caliber of care through a progressive spirit across Wellmont," Hove said. "Holston Valley Medical Center, our community division hospitals and our outpatient facilities also found additional ways to remain on the cutting edge of health care. It was a pleasure to be part of a team that was constantly looking for ways to deliver optimal health care for our region."

Prior to joining Wellmont, Hove served as CEO of Delta Regional Medical Center in Greenville, Mississippi; president and CEO of Good Samaritan Hospital in Lexington, Kentucky; CEO of Crestwood Hospital in Huntsville, Alabama; and administrator of Beaches Hospital in Jacksonville, Florida. He was a longtime fellow of the American College of Healthcare Executives.

Hove received a bachelor's degree from the Georgia Institute of Technology in Atlanta and a master's degree in hospital administration from the University of Alabama in Birmingham.
Interim CEO: Wellmont system's board ‘trying to do the right thing’

ALLIE ROBINSON GIBSON | BRISTOL HERALD COURIER | Posted: Tuesday, September 16, 2014 8:59 pm

BRISTOL, Va. — The interim president and CEO of Wellmont Health System said Tuesday — his first day on the job — that challenges face the health care industry and patience is needed as Wellmont’s board continues its process to align with another institution.

“The board is really serious about educating themselves about making the right decision,” said Bart Hove, who worked as Bristol Regional Medical Center’s president for 12 years before taking the helm of the health care system. “The goal is to preserve the ability to provide excellent care long into the future. They’re trying to do the right thing.”

Hove was named to the interim spot Monday, following the resignation last week of Denny DeNarvaez. He, along with Wellmont Board Chairman Roger Leonard, spoke Tuesday afternoon at a meeting of the Rotary Club of Bristol, VA-TN at the Train Station.

“The welcome has been phenomenal and I look forward to working with all of you,” Hove told members of the club, adding that he is prepared to help the board through its ongoing process to form a partnership with another organization.

A short list of three potential candidates has been identified, Leonard said, and the board is interviewing each thoroughly to find the best fit.

He said a review of the system revealed that Wellmont could stay independent, but the probability of success is much greater if the system “scales up” by merging with another group. Currently, he said the system generates $750 million in revenue per year and it needs to reach more than $3 billion annually to compete with health care systems across the nation and stay afloat.

In addition, growing with a partner would mean the system would have a bigger bargaining chip when it comes to negotiating prices for drugs and other needed services.
The decline in Medicare and Medicaid reimbursements to hospitals and a decline in patient discharges have contributed to Wellmont’s current financial situation, Leonard said. He added that the group’s operating income in 2010 was $22.8 million, and this year it’s $5 million. The system has $25 million left in debt capacity, he said.

Leonard said the system has been making cuts, but the answer is finding a viable health care partner.

“If we continue ... we’re not going to be cutting fat, we’re going to be cutting muscle and bone,” he said. “... A lot of hospitals have been doing what we’re talking about doing ... these alignments and mergers are continuing to happen. Wellmont isn’t alone.”
Hospital merger

In response to Helen Wright’s recent letter about a health care monopoly should Wellmont Health System and Mountain States Health Alliance merge, there is one very important fact that needs to be considered.

Any merger between those two entities requires the approval of the state and the issuance of a Certificate of Public Advantage, or COPA. That gives the state much more say in setting prices — today and in the future — than it would have if Wellmont selects a partner from out of the region.

In health care, competition doesn’t reduce prices. In fact, it tends to raise prices due to unnecessary duplication of services.

Combining the two systems, then, gives us two important advantages. One, it keeps control of our health care service system in local hands, and it brings the state into the mix when it comes to health care pricing.

Many of our business and civic leaders recognize these advantages and that is why they are arguing that if there is a merger, it should be between Wellmont and Mountain States.

ANN C. SMITH
Johnson City
Merger would create monopoly

It amazes me how the community fails to see the potential monopoly created by the merger of two local health care systems. It is painfully clear to most health care workers that the merger of Wellmont and MSHA would primarily benefit the organizations, not their employees or the community. Can you imagine one health care system controlling virtually every urgent care, emergency room, outpatient facility and hospital from Abingdon, Va., to Greeneville, Tenn.? How far would a patient have to go if the new system couldn’t reach an agreement with their insurance carrier?

The only alternative for patients and employees would be the VA. Without veteran status, no patient or employee can receive care at the VA. All local health care workers know the VA has the best benefit package and is the only local employer that can guarantee 40 hours a week. Unfortunately, the VA can’t possibly absorb all the jobs that would be lost by a merger — consolidation of services, closure of duplicate facilities. Does the community want to stay local and have no choice of health care provider?

Linda Coffman
By Jeff Keeling

With the shock of Wellmont Health System CEO Denny DeNarvaez’s Sept. 10 resignation ebbing, an effort to convince Wellmont’s board of directors to change course strategically and study a merger with Mountain States Health Alliance continues.

With Wellmont nearing the end of a strategic process it expected to end in a merger announcement, DeNarvaez abruptly resigned last week after four years at the helm. Wellmont, whose flagship hospitals are Kingsport’s Holston Valley Medical Center and Bristol Regional Medical Center, began a strategic review of its options in January and announced in late July it had narrowed a list of potential partners to three.

The resignation came just a few weeks after the public kickoff, at an Aug. 18 forum in Kingsport, of an effort to influence Wellmont’s strategy. The effort’s organizers – led by area banking executive Bill Greene but representing a broad cross-section of business and political leaders – called for more transparency in Wellmont’s process.

They also urged its board to consider a merger with Mountain States that would also include bringing in East Tennessee State University’s health sciences programs to form an academic health care system – one that would essentially equal New York’s Presbyterian system as the third-largest academic/hospital system in the country. Such a deal would be contingent on the parties gaining a “certificate of public advantage,” or COPA, that would provide stringent state oversight of cost and pricing structures to mitigate concerns over lack of competition.

The “hole-in-the-wall gang,” as Greene describes the group, has said it fears devastating long-term consequences should either of the two regional systems cede local governance to an outside system.

After initially announcing it wouldn’t appoint an interim CEO, Wellmont changed course Monday, tapping former Bristol Regional CEO Bart Hove “to assist us during this important time in Wellmont’s history,” Board Chairman Roger Leonard said in a news release.

At least one local leader who has been calling for more transparency in Wellmont Health System’s search for “an alignment partner” responded positively to DeNarvaez’s departure announcement. Kingsport Mayor Dennis Phillips was among a panel of leaders who spoke at the Aug. 18 forum.

Phillips called the change “a step in the right direction,” and said he hoped Wellmont’s board would now seek to involve the community more than it has in its process.

“As I have said before, I think the CEO was driving the hospital board, and I think that the board is to be commended for stepping up and making some good decisions,” Phillips said.
Since Aug. 18, several local governments have passed resolutions “in support of maintaining local control of healthcare systems” (full text is at bjournal.com/localresolution). Among them is the Kingsport Board of Mayor and Aldermen, which passed its resolution in a split vote.

“There are few things more important to this community than what happens to the hospital,” Phillips said. “I think we can continue the progress that Bill Greene’s group has made in the last 60 days, and do the right thing for the community and the employees of Wellmont. Those are the two most important things we need to consider.”

In a Friday interview with News & Neighbor, Greene said the “gang” was continuing on its own to study the potential for a COPA that would include both hospital systems and ETSU. He repeated his contention that “pain is coming” to the local healthcare economy due to health care reform and a long history of what he called “overexpansion” as Wellmont and Mountain States competed, often to the detriment of long-term stability.

Confronting those issues can best be done through a combined system, Greene said, that includes ETSU and is governed by a COPA (see the Tennessee statute at bjournal.com/copalaw). He believes the results would include not just an ability to manage declining revenues and hospital admissions with local control, but a possible increase in research funding to ETSU to help offset likely job losses associated with “rightsizing” the hospital systems’ workforce. Such a scenario might also lead to a healthier population long-term, which could help lower health care utilization in a climate of cost constraint.

“We are a region that has some massive problems health-wise. Obesity, diabetes, I could just go right down the list. If we could bring those research dollars in here, let’s get in front of preventative medicine. Let’s get in front of these issues and deal with them before they become even more of a problem than they already are.”

Greene said the important message his group wants to send right now is that it respects Wellmont’s board and wants to be a resource and an ally.

“We want to be the group that does not micromanage them. They are quality people, they’re all highly educated. Roger Leonard is a terrific guy, Julie Bennett is an attorney that worked for us (Bank of Tennessee) before she went to Bristol Motor Speedway, there’s not a better guy in America than Ted Wood.

“We are not adversaries,” he said. “We’re not enemies. We were somewhat portrayed that way because we didn’t necessarily agree with everything Wellmont’s board was doing.”

The “gang,” whose members include many of the most significant donors to local foundations and charities, hopes to see a system with equal board representation from both current systems, along with robust physician representation and new voices from the community. Beyond that, “We want to suggest to them what we think is best for the region in terms of quality health care and reasonable pricing for the future. That’s our only mission. And then we want to be the ones that raise the money to help them in the foundations.”

Friday, Greene sound more sanguine about the prospects for a local merger than he had in an interview just a couple of weeks earlier: “I feel like the Wellmont board is very talented, very well-educated, very experienced, and they will figure this out and make the right decision.”
Lingering questions about Wellmont and its CEO

Posted: Saturday, September 20, 2014 9:30 am

While I have respect for our citizens who are on the board at Wellmont, I am perplexed about the handling of the CEO.

Were there ever any audits? And if there were, did the board just sit and nod their head yes? Are there any criminal or IRS ramifications concerning the CEO and staff?

Lastly, Wellmont is a community owned hospital. Doesn’t the community deserve some transparency in divulging the facts about the hospital?

Judy A. Slaughter | Bristol, Tennessee
Hospital systems' competition hasn't benefited all

When three area Toyota dealerships compete for your business, that's a good thing. The results are greater selection and better pricing. Wellmont Health System and Mountain States Health Alliance's competition through the years has not been so beneficial, in most respects.

The fallout from that competition, combined with the fiscal discipline imposed by health care reform, will create economic pain here in the future.

That assertion is a difficult one to accept in a country where we cherish, with good reason, the value of a free market. It is, however, widely accepted by many health care economists. And it's a foundational argument in the case that's being made for Wellmont and Mountain States to pursue a merger, which would essentially create a regional health care monopoly.

I'm a free market proponent, but I've also covered the business of health care for almost 20 years. In 2007, I parodied then Mountain States and Wellmont CEOs Dennis Vonderfecht and Dr. Richard Salluzzo as a couple of old west gun-slingers, their shots at one another taking the form of expensive, high-profile competition, and I asked this question: "Does the intensity of the two systems' rivalry — and the money spent funding it — really advance the cause of health care in the Tri-Cities?"

It was a valid question then, and it is a very important one now. Seven months into Wellmont's search for a merger partner, an influential, independent group went public with criticisms of Wellmont's process and direction, which seemed to be leaning toward merging with an out-of-area system.

In an Aug. 18 community forum in Kingsport, they said the $750 million not-for-profit hospital system wasn't being transparent enough with the community. Wellmont, owner of Holston Valley Medical Center, Bristol Regional Medical Center and several other hospitals, had said its consultant had helped it narrow a list of prospective partners to three, but offered few details beyond that.

More significantly, the group (whose putative leader is area bank executive Bill Greene) said it believes Wellmont and Mountain States Health Alliance should sit down together, bring in East Tennessee State University's health sciences programs, and work toward a combined health system. That suggestion justifiably raises fears of monopoly, but proponents are ready with an answer.

The results of a merger, they assert, can include local control of services — and the ability to reduce expensive duplication as health care reform squeezes money out of the business. They can also include an opportunity, through ETSU, to form basically the third-largest academic-based hospital system in the country, and leverage that into far more research, with accompanying funding, than is currently being conducted.

Tri-Citians should scrutinize the group, but I also suggest they consider its primary arguments in favor of local governance of our hospital systems (and potentially, system, singular). The argument that competition works differently in health care, at least at the large system level, is one that's been made for years and seems perfectly valid. In fact, it's the basis for the "certificate of need" process that most states, including Tennessee, still use as a regulatory governor on rampant, unnecessary duplication of services by competing systems.

Both Mountain States and Wellmont trotted that same argument out numerous times — when it suited them — over the past decade-plus. Mountain States used it to prevent Wellmont from building a "freestanding emergency department" in Boone Creek in 2008.

The trouble is, what was good for the goose wasn't always good for the gander, and the systems engaged in plenty of arguably unnecessary duplication, or at least competitive one-upsmanhips.

That wasn't the best thing for the region even then. Its effects weren't really felt, though, during a strong economy and in an era when what one economist friend refers to as "malinvestment" in health care was pumping up our local jobs base.
Now the day of reckoning is here. It may be tempting to think an outside system would retain more health care jobs, result in better health care prices, or both, but the evidence doesn’t suggest that to me.

I see nothing ahead—nothing—that will change the equation whose variables include lower reimbursements, lower acute care admissions, and an overall decline in the health care revenue that sloshes around the metro area acting as an “economic multiplier.” Maintaining local control as we confront these challenges sounds like a good idea.

A “certificate of public advantage” (COPA) allowing a local merger also could solve the monopoly/price gouging concern. It seems to have done so over the mountains in Asheville, where Mission Health System operates under a COPA.

I hope the Wellmont board is sincerely considering studying it.
Wellmont set to meet potential merger partners in November

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Wednesday, September 24, 2014 11:15 pm

BRISTOL, Va. — Wellmont Health System officials expect to begin meeting with potential merger partners right away and make a decision about its future before the end of the year.

The not-for-profit hospital chain is currently evaluating three other health systems as part of a proposed merger. Meeting with members of the Bristol Herald Courier editorial board, Wellmont board Chairman Roger Leonard said the process is moving forward quickly.

“We’re shooting for mid-November for the final presentations by the potential alignment partners because our timeline is still to have a decision by the end of the year,” Leonard said. “We are starting site visits this week with the potential alignment partners.”

Leonard declined to say where they are going or discuss specifics about any of the potential partners.

Early this year, Wellmont officials announced plans to merge with another health care system in the face of sweeping changes in health care, due in part to the Affordable Care Act and decisions by general assemblies in both Tennessee and Virginia not to accept the federal terms for expanding the Medicaid program.

Wellmont employs about 6,400 people and operates Bristol Regional Medical Center, Holston Valley Medical Center in Kingsport, five smaller, regional hospitals and clinics across Northeast Tennessee and Southwest Virginia plus it employs a network of health-care providers.

Dr. William Smith, a physician member of the Wellmont board, said he hasn’t reached a decision yet.

“I’m still very open-minded,” Smith said. “We’ll have presentations from the three finalists and I’m doing my homework ahead of time. I’m going to listen to the three finalists and then I’ll go into the [Wellmont board] meeting with an open mind, listening to what the other board members say. I don’t think there’s a favorite at this point. At least if there is, I’m not part of that.”

Leonard predicted that the board will carefully weigh its options.
“Some people portray the board as this monolithic group that just rubber stamps everything. We have a very dynamic board because this board represents the spectrum — both geographically and occupationally. We have a very diverse board and very rigorous discussions,” Leonard said. “Our decision-making processes reflect that. The conversations are very rigorous and thoughtful, but decisions take more time now because we have more in-depth discussions.”

Wellmont officials plan to meet with officials of East Tennessee State University and its colleges of medicine, nursing and pharmacy Monday to develop an addendum to its plan and direct potential partners to continue those relationships in the future, Leonard said.

Leonard acknowledged public concerns about the potential loss of local control if and when a merger occurs, but said the board’s primary responsibility is maintaining and improving health care.

“There are four elements I think are key to our decision-making process. Number one is clinical excellence. The second is capital investment. I think everything hangs on capital investment, how much our potential partner is willing to invest in this region and Wellmont’s footprint,” Leonard said. “The third is culture. Wellmont is clinical-centric culture not a business-centric culture and the culture we want to maintain is being clinically-centric.

“The fourth is how much local control will be involved. To me, without the other three, local control is worth very little. Our patients, physicians and staff care about clinical outcomes — they don’t care about control. In our negotiations, we are being careful to retain certain reserve powers,” Leonard said.

He envisions a regional board that would oversee any merged entity, but admitted that a merger could eliminate the need for a Wellmont CEO and some management positions.

In response to a question, Leonard said the recent departure of CEO Denny DeNarvaez won’t impact the process, but he added that Wellmont did notify its potential partners of her sudden exit.
Health system merger could be detrimental to the region

I am concerned that if both Wellmont Health System and Mountain States Health Alliance merge, we may be creating a monopoly on health care that will be a detriment to our region.

Monopolies don’t give the patient a choice of where to go for health care, and prices can go up while care can go down. If Wellmont and Mountain States merge, who becomes the dominant company?

A merger usually combines jobs that eliminates employees. Now fewer nurses care for the same number of patients, but less money is paid out for wages.

I believe Wellmont should choose another health care system to merge with so that we don’t end up having a monopoly on health care.

“Obamacare” already pays hospitals an incentive to admit fewer patients. When a person is admitted to a hospital, he or she is either “officially admitted” or “admitted under observation.” Both types of patients receive the same care, but the hospital shows fewer admissions and receives government money for keeping the admissions low.

Plus if a patient is not officially admitted, he or she will not qualify for in-home health care after discharge. Many do not know this.

A monopoly doesn’t give us a choice. Aftercare can be almost as important as in hospital care. A merger is all about money, no matter whether the hospital is a “for-profit” or “not-for-profit” institution.

MSHA is growing like a giant without control. I have had experience with both Wellmont and MSHA and have received great care from both. I had a choice. MSHA has bought many health care businesses already, including hospitals, pharmacies, doctor’s offices and other facilities.

We need to give Wellmont a chance to do what will be best for it and for us.

HELEN WRIGHT
Johnson City
Levine: Local control most important concern for Tri-Cities health care

Continuing a campaign to shape health care in the Tri-Cities, Mountain States Health Alliance CEO Alan Levine called for an end Tuesday to unproductive competition between health care providers in the region and stressed the importance of retaining local control of the area’s hospital systems.

“We need to lay down our swords, stop all this silliness, and have a conversation about where health care in the region needs to go,” Levine told the Johnson City Rotary Club’s members at their monthly meeting.

“Mountain States is ready to do that.”

For years, Johnson City-based Mountain States and Kingsport’s Wellmont Health System have wasted resources on duplicate facilities and services to compete for a shrinking pot of patients and federal reimbursements, Levine said.

With Wellmont’s board of directors’ announcement early this year to search for another health system with which to partner or merge, business, health and education professionals in the Tri-Cities saw a ripe opportunity to consolidate health care delivery power by merging the two competing providers.

Levine, as head of a system not confirmed, but implied to be among the final three contending for the Wellmont partnership, questioned the board’s priorities in the search, placing maintaining local governance as most crucial in his mind.

“The people making these decisions have kids that go to school with your kids, you see them at church and at the grocery store, these are the people who should be making decisions in your health care delivery,” he said.

“Local governance is the most important thing, because, once it’s gone, it’s gone.”

Wellmont Board Chair Roger Leonard took issue with the implication regarding the importance placed on governance by the system.

“There are four top priorities we’re considering in our process, one of which is governance and control,” Leonard said during a telephone interview Tuesday before ticking off the list: maintaining clinical excellence, ensuring financial security, sharing Wellmont’s current dedication to philanthropy and community and the aforementioned governance. “In all three of the proposals we have, there are provisions for different levels of control locally involving financial and capital investment.”

A Feb. 2 announcement from Wellmont revealing the partnership search lists seven guiding principles to be used by the board to assess candidates.

Among them are a commitment to the system’s mission, financial strength, an advancement of health care services and employment opportunities in the region and philanthropy in the community. The outlined principles do not expressly urge a retention of local control over the system’s hospitals.

Repeating remarks from his own past appearances and from those of government officials and business leaders, Levine postulated opportunities for medical research funding if health deliverers were to collaborate with nearby East Tennessee State University.

At stake, he said, are hundreds of millions of dollars in federal grants that could be leveraged if ETSU researchers were able to tap into the hundreds of thousands of hospital visits from residents in Northeast Tennessee and Southwest Virginia.
“(ETSU President) Brian Noland has got it right — there’s got to be a dialogue between these systems and what we need to do to sustain ourselves,” Levine said. “We have to set aside our history and past and we have to talk about the future.”

On Monday, Wellmont officials and ETSU administrators met for a closed-door session on the college’s Johnson City campus.

Leonard said the meeting, part of a series of gatherings initiated last month, was called to “make certain (Wellmont) fully communicated the extent of the relationship between Wellmont and ETSU” to the three health system candidates seeking the merger.

The meeting included Noland, ETSU Chief Operating Officer Wilsie Bishop and Quillen College of Medicine Dean Robert Means with Leonard, Wellmont’s interim CEO Bart Hove and a representative of Kaufman Hall, the consulting firm hired by the Wellmont board to assist in the partnership search.

Leonard said the board is still on track to make a recommendation regarding the partnership near the first of next year.

Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook at www.facebook.com/jcpressbaker.
The region must work to ‘pull together’ on health care service

There are plenty of examples where we have pulled together as a region to improve the lives of everyone — getting the medical school at East Tennessee State University and then the pharmacy school, the-Tri-Cities Regional-Airport and the All-American City Award in 1999.

We have another opportunity with Wellmont Health Systems and Mountain States Health Alliance to put aside local differences and enmities to create one unified health system that keeps control where it belongs — here at home.

Let me say at this point that I have nothing but respect for both Wellmont and Mountain States. I respect their contributions to our region and, as a businessman, I understand the challenges they are facing in today’s world.

At a meeting in Kingsport last month, several prominent business and community leaders were in agreement that preserving local control over our health care destinies may be the most important decision facing our entire region.

At the end of the day, Wellmont may decide it can continue to go it alone. That is certainly its right. If, on the other hand, the board of directors determine an outside partner is needed, then I believe we should all work hand in hand to make sure that partner is MSHA.

I say that because if Wellmont is purchased by an outside health care concern with deep pockets, Mountain States will be forced to do the same. The result will be that decisions about our health care futures will be made in other regions or other states by people who don’t live or work here.

We simply cannot allow that to happen

Pulling together got us the medical school, which in turn has provided us with a steady stream of physicians who either grew up here or elected to stay here. Pulling together convinced the state to locate the pharmacy school here rather than somewhere else. Working together, we have built a regional airport that provides critical service to an entire region.

DAN MAHONEY
Johnson City
Noland: Region’s health care should stay local, meet community's needs

ALLIE ROBINSON GIBSON | BRISTOL HERALD COURIER | Posted: Friday, October 3, 2014 11:56 pm

BRISTOL, Tenn. — It’s important for local leaders to work together and for the community’s needs to stay at the forefront of any discussion about the future of health care in the region, the president of the area’s largest university said Friday.

Brian Noland, president of East Tennessee State University, spoke Friday morning at the Bristol Chamber of Commerce’s First Friday breakfast. Though he didn’t mention any organizations by name, he brought up the process that Wellmont Health System is currently undergoing to align itself with another organization.

“There’s a lot of conversations that are occurring right now across the Tri-Cities related to our health care delivery system,” Noland said. “I firmly believe that as those conversations move forward, we will best define our future if those conversations and that governance remains local.”

Wellmont has narrowed a list of potential candidates down to three, and a decision is expected by year’s end. Officials with the health system based in Kingsport have also said they want to direct potential partners to continue the relationships with ETSU’s colleges of medicine, nursing and pharmacy in the future.

Noland said the decisions that will be made are not “only going to define our future, but are decisions that only come around once in a generation.”

Noland said in an interview after his talk that ETSU officials met earlier this week with Wellmont’s interim CEO, Bart Hove, as well as Roger Leonard, chairman of the board.

“The conversation was very productive,” Noland said. “It provided the university with an opportunity to outline the longstanding partnership between our two respective entities.”

Wellmont officials also said, in a written statement Friday, that the meeting was productive.

“... [It] enabled our organizations to share helpful information with each other,” the statement said. “As Wellmont proceeds with its strategic alignment review, we want to assure everyone we are in charge of this process and will protect our longstanding and beneficial relationship with ETSU. We share a mutual interest in clinical excellence for the people we serve and envision continued collaboration with ETSU as we move forward in meeting our area’s needs for many years to come.”

Noland said the two have developed academic programs, provided patient care and built facilities together.

“We’re two organizations that for decades have worked together and the point that I was trying to make that day was as the board and leadership was looking at what comes next, to recognize that those decisions impact more than Wellmont, they impact the community as a whole,” Noland said. “I was very appreciative to Bart, to Chairman Roger Leonard, for the opportunity for the university to provide that history.”
He expressed concern about a potential partner’s ability to mesh with local values.

“If they move in a direction with someone from outside the state of Tennessee, that brings uncertainty that I think we all recognize,” he said. “But I’m confident that as the board moves forward, they’ll keep in front of them that this is a community jewel; it’s a community resource. These hospitals were built by this community and I hope that the values of the community are reflected in the decisions.”

Discussions about governance are important, Noland said.

“I think governance is the most important variable that any entity must consider, because governance outlines rules of engagement,” he said. “I know Wellmont has a wonderful board that leads governance at this point, and I trust that they’ll keep those governance conversations front and center as they make the decisions they’ll make in the months to come.”

Noland has expressed support in the past for a merger of Wellmont and Mountain States Health Alliance, the other large health system in the region, based in Johnson City.

“I think that opportunities if the two systems were to come together are beyond description,” Noland said Friday. “I think those opportunities in conjunction with East Tennessee State University provide us with an opportunity to bring some things to the table with respect to research, with respect to population health, with the respect to some of the challenges that face the region.”

Ultimately, he said, partnerships — like those found among the educational institutions in the region — will make the project succeed.

“I think the more that that spirit of partnership can be infused across the entire region — it’s not City A against City B, it’s the Tri-Cities — the more we can work together, the stronger we’ll be,” he said.
‘Unproductive competition’ is vital

The CEO for Mountain States Health Alliance reportedly called for an end to “unproductive competition” in area health care. Unproductive for whom? Surely not the people of the region, since it gives us a choice where to go for the best care. “Duplicate facilities and services” were also mentioned. We in Kingsport have been hearing that ever since Indian Path opened decades ago, and yet these facilities don’t seem to be going unused. Duplication is a good thing; without it there can be no choice in terms of quality, convenience, cost or any other factors people consider important in goods and services. We all know that competition is good in general, but it takes less effort if we don’t have to compete in our own field. Alas, no losers, no winners.

The “wastefulness” of competition is necessary for the efficiency of a free market, as Adam Smith explained way back in 1776 in “The Wealth of Nations.” Trying to avoid the inevitable losses and the inevitable losers from free competition — or worse, trying to suppress competition itself — is the greatest waste of all. This sad knowledge has been learned over and over again, with much pain, most vividly in the collapse of the Soviet Union. I hope we don’t have to relearn it in the Tri-Cities. But it may be that in the environment of socialized medicine being imposed on the country, competitiveness and efficiency have become handicaps. Still, a regional hospital monopoly would be a strange thing to happen in one of the most Republican parts of the country. Time was, the federal government would try to prevent illegal restraint of trade, defined as a single company taking too large a share of the market. But then, I’m also old enough to remember when doctors made house calls.

R.P. Pendleton
Kingsport
In the raging debate over the fate of the region’s two hospital systems, the Tri-Cities’ three business-oriented groups will remain as neutral as Switzerland — for the time being.

In a letter to the group’s members sent Friday, Johnson City Chamber of Commerce Board Chairwoman Lottie Ryans and CEO Gary Mabrey said the organization has not taken a position on Wellmont Health System’s pending partnership search or the prospects of that potential partner being Mountain States Health Alliance.

“The Chamber Board sees this as one of the more significant discussions and decisions that will be made,” the letter said. “We look forward to our involvement in the ensuing conversation, as well as implementing a strategy to address the final decision.”

The letter also said the Chambers of Bristol and Kingsport share in the board’s thinking and have taken similar stances.

Reached Friday by telephone, Mabrey said the decision to remain neutral came after soliciting information from both hospital systems and using the responses to try to accurately imagine the region after Wellmont’s decision, whatever it may be.

“If anything, we want to be a sort of clearinghouse for information,” Mabrey said. “We want to stay involved in the conversation and help the community understand all the options.

“The Chamber boards must take positions we feel comfortable with, and we’re not uncomfortable, but we’re not ready to take a position as the Johnson City Chamber.”

Mabrey said the board could still make a recommendation in the future, after members meet with Wellmont’s leadership, expected in the coming weeks. East Tennessee State University President Brian Noland is a member of the Chamber’s board, and Mabrey said he and Mountain States CEO Alan Levine have already addressed the topic to the board.

The Chambers’ decisions to remain on the sidelines differ from the actions of other local boards over the course of the last few months.

In September, the Johnson City Commission, the Washington County Commission, the Kingsport Board of Mayor and Aldermen and the Washington County Economic Development Council all passed resolutions in one form or another urging the area’s health care institutions to remain under local governance.

In August, the drive to keep health care out of the hands of out-of-state interests began in earnest when a group, organized by Carter County banker Bill Greene, started a “Save Your Hospitals” campaign with an accompanying website and a panel discussion in Kingsport.

The proponents of the movement contend a single health care delivery system in the region could rival others in the country and would help attract funding for medical research at ETSU.

Wellmont’s board has remained mostly mum on the campaign, citing confidentiality clauses built into the partnership conversations, but has said its interest is doing what’s best for residents in the community.

The Wellmont board expects to make a recommendation sometime near the first of the coming year.
Wellmont first replaces CEO, now COO amid merger search

Another member of Wellmont Health System's executive leadership resigned this month, leaving an empty spot months before an expected announcement regarding a possible merger.

A media release Monday from the Kingsport-based hospital organization announced Eric Deaton as the new Chief Operating Officer, taking over for Tracey Moffatt, who was said to have left "to pursue other employment opportunities."

Unlike Bart Hove, who took over last month for departed CEO Denny Denarvaez, filling a position that the board of directors does not plan to fill permanently in the coming months, Wellmont spokesman Jim Wozniak said Deaton was a permanent appointment.

DeNarvaez vacated the position after deciding "the time is right for her to leave her role as CEO of Wellmont," according to the statement confirming her resignation last month.

Expected near the end of the year, Wellmont's board is currently considering proposals from three hospital systems, one within the region and two from outside, for merger or affiliation.

Recently, area businessmen, nearby university leaders and elected officials have publicly advocated a merger with Mountain States Health Alliance, Wellmont's direct competitor and the rumored regional system bidding for the merger.

As COO, Deaton, who previously served as President and CEO of Danville Regional hospital from 2010 to 2013, will oversee clinical service delivery and performance and quality management in Wellmont's hospitals and affiliated clinics.

His appointment will take effect Nov. 10.
KINGSPORT — Wellmont Health System has experienced a second top leadership change. Wellmont Chief Operating Officer Tracey Moffatt has left and is being replaced by Eric Deaton, the health care provider announced on Monday.

Deaton, a longtime health care executive who previously worked for Wellmont, will be executive vice president and chief operating officer, effective Nov. 10.

Last month, Wellmont CEO Denny DeNarvaez left her position and has been replaced by interim president CEO Bart Hove, former president at Bristol Regional Medical Center.

Deaton, Wellmont said in a prepared release, has served in leadership roles in Tennessee, Virginia and South Carolina for about two decades. He served as president and CEO of Danville Regional from 2010 until 2013.

During his tenure, Danville Regional opened seven new clinics, recruited 50 physicians to the community and increased primary care opportunities, which reduced nonacute emergency department visits. The hospital also received honors for its heart care, and the imaging center provided faster and more efficient imaging and scanning services with a new CT scanner and MRI unit, according to Wellmont.

Earlier in his career, Deaton served in executive roles with hospitals in several communities, including Johnson City, where he was market CEO for North Side Hospital, Johnson City Specialty Hospital and Northeast Tennessee Rehabilitation Hospital. His previous tenure with Wellmont was in the role of vice president of finance and operations at Bristol Regional Medical Center from 1999 until 2003.

Aside from his day-to-day duties, Deaton serves on the Virginia Board of Health, Virginia Hospital & Healthcare Association and Federation of American Hospitals.

Deaton has a bachelor's degree in business administration from Milligan College and a master's degree in business administration from Bristol College. He is a fellow of the American College of Healthcare Executives.
Eric Deaton, A Veteran Health Care Executive, Returns To Wellmont As Chief Operating Officer

Eric Deaton, a longtime health care executive who previously worked for Wellmont Health System, is rejoining the organization as executive vice president and chief operating officer, effective Nov. 10.

Since 2013, Deaton has served as market president for LifePoint Hospitals, directing the collective operations of Danville Regional Medical Center and Memorial Hospital of Martinsville, both located in South Central Virginia.

He succeeds Tracey Moffatt, who recently left Wellmont to pursue other employment opportunities.

"We are pleased to find someone of Eric's caliber to work collaboratively with our executive leadership team and 6,400 co-workers and physicians to continue our delivery of superior health care with compassion," said Bart Hove, Wellmont's interim president and CEO.

Deaton has served in leadership roles in Tennessee, Virginia and South Carolina for about two decades, providing vision and strategic thinking to help take organizations to the next level. He brings a depth of knowledge about health care organization and an ability to engage co-workers at every level.

Deaton served as president and CEO of Danville Regional from 2010 until 2013. During his tenure, Danville Regional opened seven new clinics, recruited 50 physicians to the community and increased primary care opportunities, which reduced nonacute emergency department visits. The hospital also received honors for its heart care, and the imaging center provided faster and more efficient imaging and scanning services with a new CT scanner and MRI unit.

Earlier in his career, Deaton served in executive roles with hospitals in several communities, including Johnson City, where he was market CEO for North Side Hospital, Johnson City Specialty Hospital and Northeast Tennessee Rehabilitation Hospital. His previous tenure with Wellmont was in the role of vice president of finance and operations at Bristol Regional Medical Center from 1999 until 2003.

"I look forward to my homecoming with Wellmont and working with everyone again to meet the needs of patients," Deaton said. "Wellmont has always had remarkable leadership and outstanding physicians and other medical professionals who have made a positive difference in people's lives. We will leverage that record of care to further develop our innovative methods to deliver the best health care anywhere."
Aside from his day-to-day duties, Deaton contributes significantly to the health care industry with his service on the boards of directors for organizations in Virginia. They are the Virginia Board of Health, Virginia Hospital & Healthcare Association and Federation of American Hospitals.

He has also been intimately involved in the welfare of the community, serving as chairman of the board for the Danville/Pittsylvania Chamber of Commerce and the Danville Boys and Girls Club in 2014. He is a board member of Averett University in Danville.

"Eric is an exceptional health care executive who performed admirably during his prior tenure with us," Hove said. "He has impeccable credentials and a keen understanding of rural markets and the complexities facing health care during this unprecedented period of reform. We eagerly anticipate his playing an integral role in the continued success of Wellmont."

Deaton has a bachelor's degree in business administration from Milligan College and a master's degree in business administration from Bristol College. He is a fellow of the American College of Healthcare Executives.
Virginia Secretary of Health and Human Resources discusses hospitals, free market

The Virginia question — Could a Wellmont-MSHA merger happen with no COPA law?

By Jeff Keeling

“The two large systems in Southwest Virginia that are providing most of our care are Bristol and Johnson City-based. So it’s a big deal for us what happens here.” Dr. Bill Hazel – Virginia Secretary of Health and Human Resources

Dr. Bill Hazel had some familiarity with the greater Tri-Cities before accepting the post as Virginia’s Secretary of Health and Human Resources in early 2010. An orthopedic surgeon, Hazel volunteered at Remote Access Medical (RAM) clinics in Southwest Virginia, where he also saw uninsured patients from Tennessee who would make the trip up for a chance at pro bono health care.

Hazel, who visited Bristol Sept. 22 for a Wellmont-sponsored health symposium, could play a key role were Wellmont and Mountain States to propose a merger. Unlike Tennessee, Virginia does not have Certificate of Public Advantage (COPA) legislation on the books, and some type of state dispensation regulating the system’s Virginia components would likely involve his office.

Hazel met Sept. 21 with “hole in the wall gang” members and Virginia state legislator Terry Kilgore. They outlined the Wellmont situation from their perspective – that favorable to a local merger – and answered questions. During an interview with the Business Journal at Bristol, Hazel said he had been previously aware of Wellmont’s strategic process, but didn’t know it well. He said it was an important issue for him to gather information on, because “it will likely impact the public segment somewhere.”

Hazel touched on the vast changes sweeping the health care landscape as they affect factors ranging from antitrust and competition issues to population health. With respect to the Wellmont/Mountain States patient population mix, he said general population health in Southwest Virginia compared with the rest of the state is “not a terribly happy story … whether it’s obesity, substance abuse and so forth. Not trying to paint too bad a picture, but there are still some significant issues.”
Those challenges pre-date the Affordable Care Act, but the ACA and other trends in health care appear to have colored Hazel’s potential openness to a Wellmont-Mountain States partnership governed by some type of regulatory mechanism for Southwest Virginia designed to protect consumers against overpricing.

“If you go back to read Adam Smith, 1776, he said if you have this ‘invisible hand’ our free market friends like to have requires four things:

- “It requires a willing buyer. Who is actually buying here? Is it the employers for their employees, the insurer for the patient? It’s really murky.
- “Then you have to have a willing seller. Alright, so, we have issues where for instance hospitals with EMTALA (a federal requirement that hospitals treat patients in emergency rooms regardless of ability to pay) have to provide services. We crossed that bridge on coverage with EMTALA.
- “Number three is, no barriers to entry. Think about the barriers to entry. There are cost barriers, there’s CON, legal and regulatory barriers. There are certification, accreditation academic silos that are built up and so forth that create barriers to entry.
- “And the fourth thing for a functioning market is transparency, of which we have very little. No one knows what anything costs when you buy it.

“I think it probably is a reach to say the markets are working real well in health care right now, so it would not be unusual to say, ‘well what are our other choices?’ In Virginia we are typically market/competitive-based and that’s what I think the General Assembly thrives on. It would be an interesting argument to make that we should substitute a market-based economy, or a perceived market-based economy, with one that is highly regulated. That doesn’t mean that it shouldn’t happen and it doesn’t mean that it won’t happen, but someone’s going to have to make the case for why it would be good.”

Hazel said he was open to different ideas about moving toward maximizing access and results in the challenging demographic and fiscal health care environment, including how that might work with cost, and put it in economic development terms. He mentioned the example of Michelin, which employs more than 7,000 people in the Greenville-Spartanburg (S.C.) metro, but was having severe issues with the prevalence of Type II diabetes among those employees. The company approached a local hospital system, eventually convincing it to work with Michelin to develop a more effective way of caring for employees so affected.

“They told the health care powers-that-be their workers with Type II diabetes suffer from “presenteeism,” (attending work despite illness, usually leading to reduced productivity.

Hazel said company representatives noted their insurance payments were rising every year despite Michelin having “done everything good companies are supposed to do,” including charging the employees more for their insurance, co-payments and deductibles go up. Despite it all, Hazel said, Michelin told the hospital system – and by extension the community – that the workforce couldn’t compete making tires for a living.

“I imagine this area would welcome a large number of jobs tomorrow. I know on our side of the border we would. There are probably only two or three localities in Virginia that wouldn’t want that plant. But are we any better in this region?”
Hazel said the U.S. simply can’t afford to continue spending 18 percent of GDP on health care. He said that figure represents 6.5 percent higher rate than Switzerland, the second-highest country.

“The entire U.S. defense budget is only about 3.6 percent of GDP,” Hazel said. “So we’re spending almost twice the U.S. defense budget in excess of Switzerland, and Switzerland covers everybody. We have a federal government that fuels both supply and demand. You’ve got this fee-for-service system that’s sort of ingrained. But even more than that, if you go back to EMTALA, what we have said is that we’ll take care of you in the emergency room. When you’re sick enough, you come to the emergency room. So we get that late patient at the most expensive place. With no guaranteed followup, liability issues, all these other things, that’s not the place to have relationships and take care of chronic problems. So it only makes sense to try to move that market back earlier in the system and get more into the preventive realm. And that requires a payment system. That’s what Medicaid does for those up to 138 percent of poverty if you expand.”

This region faces one of the bleaker scenarios in the face of all this – higher utilization rates, no Medicaid expansion (yet), and a sicker, poorer population with a preponderance of negative health factors. As a result, Hazel implied, health care leaders’ decisions at the local, state and federal levels regarding the hospitals in the Tri-Cities are as important as they’ve ever been.

“If you have a hospital system that’s out there and says, ‘we need capital,’ there’s something going on here that we need to pay attention to. The issue for Virginia I think in this – because these are Tennessee systems that will impact Virginia with what they do – we need to be sure from the Virginia side that we aren’t adversely impacted by it, however it plays out.”
Growing array of outside voices weighs in

By Jeff Keeling

“We're talking about things in this region that we never thought possible. We're having these conversations because there was the disruption of Wellmont saying, ‘we really need to ask difficult questions.’ I applaud Wellmont’s board for the conversation that has begun because they had the wherewithal to say ‘we have to do something differently.’”

East Tennessee State University President Brian Noland

Former Wellmont CEO Denny DeNarvaez.

The amount of water that has passed under the local health care scene bridge since September’s Business Journal went to press Sept. 5 could submerge a small town. On Sept. 10, Wellmont Health System CEO Denny DeNarvaez abruptly resigned. The move came eight months after Wellmont publicly launched a strategic process aimed at seeking an “alignment partner.” It came less than two months after Wellmont narrowed its list of potential partners to three, all of them unnamed not-for-profit systems and one of them regional. And it came 23 days after metro area leaders convened a community forum in Kingsport, during which they advocated for Wellmont’s board of directors to make its strategic process more transparent, and to consider a merger with traditional rival system Mountain States Health Alliance that would also include a formal role for ETSU’s health sciences programs.

A who’s who of movers and shakers was present, and speakers included longtime area banker Bill Greene, ETSU President Brian Noland, Holston Medical Group founder Dr. Jerry Miller, Kingsport Mayor Dennis Phillips and attorney Bruce Shine. The main message was that merger with an outside-the-area system and a resultant loss of local governance would have negative long-term impacts on the region. A local merger, with prices regulated by a state-approved “certificate of public advantage,” (COPA), could allow efficient allocation of health care resources, with resultant cost savings potentially driving an increase in research funding for ETSU’s academic health sciences center, including its colleges of medicine, pharmacy, nursing and public health.

Since that Aug. 18 forum, the chorus of voices across the greater Tri-Cities advocating a COPA-regulated Wellmont-Mountain States merger has swelled. Local governments have passed resolutions in favor of keeping health care governance local. Wellmont board representatives have met with some civic groups, named former Bristol Regional Medical Center CEO Bart Hove as interim CEO, and met at least twice with ETSU representatives.
The Tri-Cities’ three largest Chambers of Commerce have collectively solicited, and received, letters from Mountain States and Wellmont regarding their respective positions on the issue. Mountain States CEO Alan Levine has spoken increasingly frankly about his contention that a local merger and end to the competition that has characterized the systems’ relationship for two decades could produce the best long-term outcomes for the region’s economy and the health of its population. Noland has said the same. On Oct. 1 he laid out for the Journal how he believes the university could double its externally sponsored research, improve the regional economy and help improve health care as part of “an academic and research-centered hospital system.” As two potential legs of a three-legged stool (four if one counts the VA), Noland and Levine also have shared their findings on costs and charges in areas where competition has been eliminated through mergers but regulated by COPAs. They have claimed the evidence points to lower cost increases in those cases, and perhaps unexpectedly higher increases where competition has been maintained but large systems have purchased smaller ones.

But Wellmont’s 17-member board will make the final strategic decision. Aided by a 12-member “strategic options committee” that includes four non-board members, leadership continues moving toward a decision it could announce before the end of the year. Seemingly in keeping with the board’s close-to-the-vest approach its chairman, Roger Leonard, declined to say who was on the committee, though he said the non-board members included a doctor, a former board member from Johnson City and a CPA from the region. Committee members have been touring the three remaining prospects “to explore what clinical and administrative attributes each alignment partner can bring to our footprint,” Leonard told the Journal in a Sept. 30 interview. He said management and board members from those potential partners will present their cases in person to Wellmont’s board and the rest of the committee by mid-November. He also opened the door, if just slightly, to the possibility that Wellmont’s strategic process could end with the system remaining independent. A website Wellmont launched in early August, forwardwithvision.org, contains a growing list of frequently asked questions (and answers) as well as other information related to the strategic process.

### The ‘governance’ question

Wellmont Health System Board Chairman Roger Leonard.

Leonard acknowledged others’ concerns about governance and control in the interview, which came a day after his second meeting with Noland, a meeting that also included Hove.

“Control is the issue that’s getting the most publicity in the region,” Leonard said. “It is not in and of itself the only factor, but it’s a very important one.” He named the others as “the ability to drive clinical excellence to higher levels,” the financial wherewithal to make significant capital investment, and a “clinically-centric culture,” not a business-centric one, “where physicians and nurses are central and the focus is on patient care both at the bedside and in the community.”

“Without financial strength and capital investment, control doesn’t mean a whole lot,” he said, nonetheless adding that “we’re being very careful to negotiate certain reserve powers so that significant decision-making authority is retained in the region for some extended period of time.”
In his *Journal* interview the next day, Noland didn’t sound any less concerned about the prospect of an outside system owning Wellmont.

“We’ve built on our own,” Noland said of the region’s institutions. “We built the med school regionally, we built the pharmacy school regionally, we built these hospitals regionally. To think that we’re going to up and transition to some outside entity, I really struggle with.

“If local control is lost there’s nothing that prevents that new partner from, two, three, four years down the road, selling to a larger partner and then we’re three steps removed from governance. Governance is the most critical element in this entire equation.”

Levine also weighed in on governance in a presentation Sept. 30 to a Johnson City Rotary club. He told club members that a non-disclosure agreement (which would apply if Mountain States is Wellmont’s regional merger candidate) “does not relegate Mountain States Health Alliance to the sidelines when we’re talking about the health care in our region.”

Levine related a recent Florida merger he was involved in, representing a buyer of two hospitals.

“Once I acquired those hospitals, guess what happened?” Levine said. “Our company got bought. Those hospital boards didn’t have any say in that. Our corporate board made that decision and those hospitals today are part of another company they had dismissed from the process.

“So when you talk about governance, governance is the most important thing. Once it’s gone, it’s gone.”

The competition question

The thought of a hospital system monopoly in the greater Tri-Cities leads, rather naturally, to fear of inflated prices with no recourse available for payers. Anticipating that argument, Bill Greene and others introduced the idea of a COPA to act as a governor and prevent price gouging, which unchecked could eradicate any community benefits gained through efficiencies. Tennessee is one of a number of states with a COPA law (see the full statute at [bjournal.com/copalaw](http://bjournal.com/copalaw)). Virginia, where both systems operate hospitals, doesn’t have a COPA law, but its Secretary of Health and Human Resource, Dr. Bill Hazel, addressed the Wellmont situation in an interview with the *Journal* Sept. 22.

Virginia Secretary of Health and Human Services Dr. Bill Hazel during a visit to Bristol, Va. (Photo by Jeff Keeling)

Hazel said what happens to the Southwest Virginia hospitals operated by both systems “is a big deal” for Virginia. He added that with the typical advantages of competition highly questionable in health care, “it would not be unusual to say, ‘well what are our other choices?’” In Virginia we are typically market/competitive-based and that’s what I think the General Assembly thrives on. It would be an interesting argument to make that we should substitute a market-based economy, or a perceived market-based economy, with one that is highly regulated. That doesn’t mean that it
shouldn’t happen and it doesn’t mean that it won’t happen, but someone’s going to have to make the case for why it would be good.” A full story on the Hazel interview is available at bjournl.com/hazel.

Since late August, Levine, Noland and others have pointed to what they say is a highly successful COPA governing Asheville, N.C.’s Mission hospital system. Mission’s own reports do show that its cost increases have been significantly lower than those of its peers. Another COPA governs Palmetto, a South Carolina system. And both Levine and Noland have mentioned research suggesting that in cases where large systems have bought individual hospitals, or smaller systems, in areas where there is a competing system, the results from the continued competition haven’t always included lower costs for patients.

In its own research, the Journal found a study, released early this year, from two economists: Clemson’s Matthew Lewis and the University of Alabama’s Kevin Pflum. The pair studied “the impact of hospital system membership on negotiations between hospitals and managed care organizations (MCOs). They build on previous studies showing that hospital systems that add hospitals within their region increase their bargaining position with payors, due to the MCOs losing a piece of leverage due to the merger.

It is when Lewis and Pflum add data and analysis on bargaining power, and not just bargaining position, that the issue of whether costs to payors are more favorable even if an outside buyer takes over a hospital, or system, in a competitive market. That would be the case were Wellmont to sell to either of the two non-local candidates. “Such effects could be very important as roughly one third of all hospital mergers and system acquisitions between 2000 and 2010 involved hospitals in completely different markets,” the authors wrote. They added that most studies, including antitrust analyses on mergers, “have focused exclusively on the effects of system membership that arise through changes in bargaining position only.”

In other words, bargaining power such as Wellmont may gain from affiliation with a large system can be a driver in higher reimbursements from payors. In fact, the authors write that higher bargaining power trumps stronger bargaining position, with their study finding “additional markup in per diem reimbursement for the average system hospital created by the system’s additional bargaining power $855, in contrast to the additional $150 that is created by the stronger bargaining position derived from system membership for hospitals that have partners in the same patient market” (ie, Wellmont and Mountain States as they stand today). While Wellmont already is a system, its merger into a larger one would presumably increase any bargaining power it already holds.

Further, Lewis and Pflum note, the paucity of data surrounding this effect “indicates that the approaches currently used (by academics and antitrust authorities) to analyze hospital mergers may substantially underestimate the impact of a hospital merger or system acquisition on prices – particularly when the system has minimal presence in the same market as the acquired hospital.”

After many charts, formulas and case studies, the authors conclude that more such studies would be useful given the rising number of mergers and the prevailing method of studying those that involve systems purchasing hospitals in an area where they don’t already have a footprint. “(R)ecent antitrust analysis has ignored how system affiliations outside the local market may impact prices. For example, an acquisition of a hospital by a large national chain may not increase concentration in the local market, but could increase prices if that hospital now has greater bargaining power due to its affiliation with the national system.”
The authors suggest that the larger system could threaten to leave the MCO network entirely, for instance, if the payor won’t agree to increased prices at the newly acquired hospital(s): “Additionally, system hospitals would have a bargaining advantage when negotiating with a risk averse MCO if they can more credibly signal a willingness to terminate negotiations or threaten to exclude all system members from the MCO’s network.”

In his Oct. 1 interview with the Journal, Noland expressed confidence in two things regarding competition: that health care competition historically does not hold down prices – “you see an escalation in costs because it’s an arms race to provide services” – and that a COPA can adequately protect payors.

“A COPA places price protection for businesses and industries across the region,” he said. “It will say that prices cannot exceed inflation. Things are pegged. The beauty of the COPA is it outlines with clarity for employers and potential businesses looking to relocate to the area, ‘here are the rules of engagement.’ You would have a locally controlled governance, (plus) governance by an annual review by the state attorney general.

“I know it’s worked well in Asheville. As with anything, there’s going to be detractors, but it was reaffirmed by the legislature in North Carolina.”

**What ETSU wants (and why)**

ETSU President Brian Noland.

Since speaking at the August forum, Noland hasn’t wavered from his contention that a local merger would not only serve ETSU’s interests, it would be best for the hospital systems and the region as a whole. If anything, Noland has grown increasingly outspoken – something he attributed in the Journal interview to his study of the issues pointing ever more convincingly to the benefits of an academic and research-centered hospital system. And while he credits the Wellmont board for inspiring the current conversations and praises the system’s longtime contributions to ETSU’s health sciences’ success, Noland remains concerned about the prospect of a sale/merger with someone other than Mountain States.

Noland focused on two major areas of concern or opportunity, research and medical residencies, with the difference in his view depending on the outcome of Wellmont’s process. The most game-changing opportunity, he said, comes in the area of research. ETSU’s health sciences schools and its other departments have steadily built externally funded research through the years, Noland said. The total amount, with the National Institutes of Health and National Science Foundation being large contributors, tends to run between $38 and $50 million per year subject to shifts in NIH and NSF windows and other variables.

ETSU is focused on increasing productivity “through our faculty hires and research plans,” Noland said, and the university is focusing on “areas where we have traditional strengths.” Those include cardiovascular disease, diabetes, neuroscience and trauma, hypertension and prescription drug abuse – most of which plague this region inordinately, contributing to high health care costs, economic hardship and other problems.
While the focus precedes the Wellmont situation, Noland said that situation “provides an opportunity, if the stars align, for us to take what is a rich base at the university and build upon it.”

That base is part of what gives Noland confidence that as part of an academic-based system with roughly 100,000 hospital admissions annually, ETSU could double its research funding within 5-10 years.

“It’s not as though we’re looking to hatch something from the sky. We’re looking to take our strengths that are focused on the health care needs of the region and build on them.

“You’re seeing academic health centers and hospitals around the country examining mergers, and things are working well in those areas in which universities and health care delivery entities are working in tandem. You see that in places like (Virginia Commonwealth University), which is an academic-focused hospital. Cutting edge research. Physicians who are trained in the newest technologies. Destination places for treatment. We have the potential to develop that here.”

And with some health care jobs likely to disappear as acute care admissions continue declining and reimbursements drop, Noland said the economic boon a burgeoning research economy would create might help mitigate that. Economic studies point to a 2.2x “economic multiplier” for research funding.

“If we bring in a faculty member with a focus on diabetes and they have x number of grants, they’re going to bring with them bench scientists, researchers, folks who are going to run the operations. For every additional $10 million we bring in externally sponsored research, there’s a $22 million downstream impact.”

But it goes much further than that, Noland said. That research, and the effect it has on hospital systems and primary care, helps improve health care and quality of life for area residents. He pointed to the very recent hiring of Dr. David Wood, to be both chair of pediatrics at Quillen College of Medicine and chief medical officer at Mountain States’ Niswonger Children’s Hospital, as an example that could be replicated in a combined system.

“By looking at this jointly, we’re able to attract a world-class faculty member to the university who, in addition to teaching, research and service, will lead patient care,” Noland said. “You’re bringing the best of technology, education and research together for patient care, and that improves outcomes, which is what we’re striving for.

“Imagine if you could replicate that across the entire spectrum, from oncology to cardiology to family medicine to psychiatry, on down the line. That’s an academic-centered model that builds if you have a solid foundation of research.”

Set in a combined Wellmont-Mountain States system, Noland said, another advantage would be a compatible electronic records platform. “If everything’s talking together, that improves health care outcomes, and increases research opportunities from the population health perspective (due to a larger population sample for research studies).”

**Partnerships, promise and hope?**
Listening to Noland discuss health care, one can be forgiven for thinking of ETSU’s recent centennial slogan. He lauds both hospital systems for their tradition of going the extra mile to place provide medical residencies and fellowships. The VA Medical Center at Mountain Home also provides residency slots. The federal government funds a number of such slots for each hospital system, but for the past decade both systems were self-funding additional slots. The benefit to the hospital systems, he said, came in the high percentage of residents who ended up choosing to practice in the region. “They recognized the net benefit to the region,” Noland said.

Buffeted by health care reform, both systems announced last year they would taper back their self-funding of slots not funded by the government and through the Accreditation Council for Graduate Medical Education (ACGME). Federally supported slots total 70 for Mountain States and 70 for Wellmont. That tapering commenced in the current fiscal year that began July 1. In the 2013-2014 year, Mountain States placed 108.5 residents, subsidizing roughly 38 of them. Wellmont placed 79, self-funding nine of those. This year, each system is self-funding six fewer positions.

This trend means the university is leaving potential (but not federally funded) residency and fellowship slots on the table, and more of them than before. ACGME would allow 279 such slots this year, and ETSU has 263. With enough funding from the local systems, the university could place two more psychiatry residents, two more surgery residents, another ob/gyn resident, eight internal medicine residents and an additional fellow in both oncology and pulmonary/critical care, among others.

Noland said he believes a merger of the two systems could free up money to resume the tradition of funding slots, as duplicated services established through years of unhealthy competition are shed.

“This would present opportunities to grow residency positions in an academic and research-centered system, which would help grow specialties and subspecialties that don’t exist at this point,” Noland said.

If, on the other hand, Wellmont sold to an outside-the-area system “we will look to partner with them because they’re now part of the region, even though they’re not from the region. But I don’t know what the values are. There are so many dynamics at play. Folks may call it a partnership, but it’s a sale.”

Noland did say he was impressed when he met Hove Sept. 30.

“He was very well-spoken, knowledgeable, and understands the region and our history. I really enjoyed the opportunity to speak with him and learn from him. As someone who worked for a board, I understand that CEOs play a critical role in shaping the vision for a board, and I really look forward to seeing the vision Mr. Hove outlines for the board in the months to come.”

For his part, Leonard said the meetings with ETSU have impacted the board’s approach, but he also downplayed the magnitude of Hove’s role in the strategic process. He said the board has met with Noland in response to community concerns about ETSU.

“We wanted folks to know that we are listening to the community,” Leonard said. “As we had those discussions, I think we realized how important it was to us to convey to all of our (potential) alignment partners the importance of continuing the relationship with ETSU’s medical school. We want to get that information out to them so we can
determine their level of commitment to maintaining that relationship going forward. That will be a key factor in our decision.”

As to Hove, when asked whether his role in the strategic process would be less hands on than DeNarvaez’s had been, Leonard said even during DeNarvaez’s tenure the board had driven the process. “Denny has been an observer, and Bart will be an observer just like Denny and contributing based on his experience.”

Levine leaves the sidelines

Mountain States Health Alliance CEO Alan Levine.

The conventional wisdom is that the “regional system” left in the running for Wellmont’s alignment is Mountain States. Neither system has publicly acknowledged such, but it seems unlikely that so many influential Tri-Citians would be touting the benefits of a local merger otherwise.

Within days after the Aug. 18 meeting, Levine – who replaced longtime Mountain States CEO Dennis Vonderfecht in January following Vonderfecht’s retirement – had begun framing the system’s stance on its current and projected fiscal strength, and its position on selling to an outside system. He and Mountain States board chairwoman Barbara Allen penned a letter to the community making it clear that Mountain States had no interest in selling, and believed it could operate effectively without “scaling up” in size through a merger. The missive was an indirect reference to one of Wellmont’s primary stated reasons for seeking a partner: that systems needed to be at least $3-$5 billion in size (annual revenue) to adequately navigate the reimbursement and other challenges posed by health care reform. Combined, the two systems have revenues just shy of $2 billion. When Levine spoke to the Washington County Economic Development Council in late August, he reiterated many of those points. He reviewed financials past, present and projected, talked about debt load, and placed it all in the context of the region’s overall health and hospital usage rates (they’re far higher than the national average).

Through much of September, though, Levine was careful to remain deferent to Wellmont’s process, mainly dancing around the edges of local merger pros and cons. By late September, his approach shifted somewhat. In an address to a Johnson City Rotary Club Sept. 30, after his standard review of Mountain States’ internal situation and some general talk about health care reform trends, Levine said this:

“Wellmont, as you might know, has said that there are non-disclosure agreements that prevent certain conversations from taking place. I believe in keeping my word and I will keep my word. That having been said, a non-disclosure agreement does not relegate Mountain States Health Alliance to the sidelines when we’re talking about the future of health care in our region. It’s an important issue for us, and we’re going to talk about it.”

Levine then planted a stake in the ground, calling unequivocally for intra-system dialogue aimed at a local collaboration that includes ETSU. He argued that hospital system competition in the Tri-Cities has hurt, not helped, the region.
“I do believe there is an overcapacity problem,” Levine said. “I believe there are too many hospitals. People see hospitals and instinctively, we like to believe in competition … but when you’re heavily regulated by the government, when individuals that are buying the good, patients, aren’t the ones who are necessarily paying the bill but it’s a third party payor, you have disruption to the free market.

“Those things can combine to create a lot of redundancy and waste that historically the system’s been willing to pay for. But the employers are no longer willing to pay for it, and they shouldn’t, particularly in this region. You walk in front of some of these hospitals, and within a line of sight you can see strip centers where there used to be a small business that’s gone. That small business belonged to a family who lost everything because of this economy, and it’s our role as a health system to recognize that while we do deliver high quality, we also represent a major cost to the people who are trying to create jobs. Our mission and our objective is to do everything we possibly can to help reduce the cost so our employers can go about creating jobs – and that’s the kind of healthy collaboration we really do seek with our partners at Wellmont and with our partners at ETSU.”

Levine reiterated and amplified earlier points about the potential benefits of an academic-based system, noting that together “our systems are the same size as New York Presbyterian (the nation’s third-largest academic hospital system) … yet we do very little in the way of medical research.” He touched on the importance of residency slots to the hospital system, the region and the university.

Levine said Mountain States spends almost $15 million annually supporting ETSU’s academic programs. He lauded Noland’s leadership and vision, and promised Mountain States’ partnership with ETSU would “never change or go away.”

The region’s leaders, Levine said, must have a vision with respect to health care.

“The vision is to lay down the swords, stop with the silliness, and let’s have an adult conversation about where health care in this region needs to go. Anytime, anywhere, Mountain States Health Alliance is prepared to have that discussion.”

Circling back to Wellmont

Leonard focused on a merger partner’s contributions to clinical excellence, backed by financial strength, in his Sept. 30 interview with the Journal. Asked about a comment he had made a week before that when hospitals and systems undertake similar processes, fully a quarter of the time they end without change, Leonard didn’t demur.

“It’s a documented fact that 25 percent of these attempted health care mergers end up not being consummated,” he said. That’s always a factor. That’s why we continue to run the system just as we would if we weren’t going through the process … but we do believe that we’ve done all the work running a great process, so we believe that we’ll be successful in consummating an alignment.”

Asked whether the board might simply walk away if the final offers from all three remaining suitors contained significant red flags, Leonard said it was possible but highly unlikely.
“The fact is we’re not going to make a bad deal. We’re in pretty decent shape, and we have elected to pursue this alignment option right now while we can negotiate a good deal, but we’re only going to accept a very strong proposal.

“We definitely would not be afraid to walk away from a deal that isn’t beneficial to patients and the employees within the Wellmont platform, but right now, all three alignment partners are still enthusiastic and have put some very intriguing proposals in front of us. We now are just in the process of unpacking those proposals and determining which one has the most positive long-term impact for clinical excellence.”
Should the Chamber of Commerce take a position on Wellmont's partnership quest?

JOHNSON CITY PRESS • OCT 20, 2014 AT 9:57 AM

As Press staff writer Nathan Baker reported earlier this month, the Johnson City Chamber of Commerce has decided not to take a position on Wellmont Health System’s search for a partner, or the prospects of that partnership being with Mountain States Health Alliance.

The Chamber’s Board Chairwoman Lottie Ryans and Chamber CEO Gary Mabrey released a letter stating the organization “sees this as one of the more significant discussions and decisions that will be made. We look forward to our involvement in the ensuing conversation, as well as implementing a strategy to address the final decision.”

That announcement has surprised and disappointed some community leaders who believe the Chamber should be taking a strong position on an issue that impacts so many in the Tri-Cities. If nothing else, the Chamber should have clearly explained why it is reluctant to lend its voice to a local health care partnership.

Certainly, it understandable if Chamber board members feel they need more information before making a commitment. If so, the Chamber should be specific in what they need to know. Some questions we think they should have answered about a Wellmont/MSHA merger are:

*Will it be truly beneficial to local residents?*
*Will it lower health care costs?*
*Will it improve quality of care?*

The Chamber’s decision to remain neutral differs from the actions of the Johnson City Commission, the Washington County Commission, the Kingsport Board of Mayor and Aldermen and the Washington County Economic Development Council, which have all passed resolutions in one form or another urging the area’s two health care giants to remain under local control.

In August, Carter County banker Bill Greene started a “Save Your Hospitals” campaign to keep local health care out of the hands of out-of-state interests.

We want to hear from you. Should the Chamber of Commerce voice its opinion on a possible Wellmont/MSHA merger?

You can sound off on this topic by sending comments to Mailbag, P.O. Box 1717, Johnson City, TN 37605-1717, or mailbag@johnsoncitypress.com. Please include your name, telephone number and address for verification.
BRISTOL, Tenn. — A number of crucial steps in Wellmont Health System’s effort to select a merger partner will occur in the next six weeks, system officials said Friday.

The system, which operates Bristol Regional Medical Center and other hospitals and clinics across the Mountain Empire, has narrowed its choices to three unidentified, not-for-profit health care systems. Members of the Wellmont Board of Directors are about halfway through a process they still hope to complete by the end of 2014.

“This is really an audit and verification stage where we will be double- and triple-checking our information and findings,” board Chairman Roger Leonard said. “We’re committed to taking as much time as needed to verify the commitments of our prospective partners and their commitment to our guiding principles. Because of the intensity of this work this will be a relatively quiet phase over the next six or seven weeks — there really won’t be a whole lot of new information during this period.”

Wellmont officials have said throughout the process they hope to complete their work and make a selection this year.

“The timetable hasn’t changed but we do recognize there is a lot of work to be done and we don’t believe in having any artificial deadlines for this process,” Leonard said. “But our goal is to bring it to conclusion when we have done all the work and are prepared to make the best decision for the region. We don’t want to drag this out. It’s obviously of great interest to our 6,300 employees and our physicians and patients. We want to be thorough and the goal is to have a decision by year end.”

The board and its strategic options committee also will entertain final presentations from all three potential partners, Leonard said. He also stressed that, despite widespread speculation, no partner has been selected.
“There has been no decision made. There was a lot of intense conversation during the strategic options committee meeting earlier this week. Clearly there is no consensus developed,” Leonard said. “We obviously don’t have all the information at this time and, in the meeting, we challenged a lot of the information we’re receiving from our potential partners. We really need to stress test their proposals and there is no way to simplify this process and the amount of work we’ve got to do between now and the end of the year.”

Wellmont reported about $750 million in earnings last year and, early on in the process, Illinois-based consulting firm Kaufman Hall identified $3 billion as a threshold to remain viable in the face of sweeping changes in health care.

“$3 billion to $4 billion is a target but there is no set, specific target,” Leonard said. “These are all ranges of probabilities where success has a higher probability than not. My view is the closer you can get to that $3 to $5 billion the safer you are.”

Members of the board and its committee have completed two of three site visits and the third is planned for next week, according to Jack Butterworth, a committee member who is also a physician and serves on the Bristol Regional board.

“We’ve explored in detail how these three match up with our mission, vision and value and the culture of the Wellmont system,” Butterworth said. “We’ll get the feeling of all the doctors and management and thrust of the institutions to see how they mesh with Wellmont.”

One new aspect generated by the site visit is a 16-member physician committee that will begin communicating with physicians at the three potential merger partners, Leonard said.

“We decided to select a broad group of physicians from a variety of specialties, including hospital-based physicians and primary care, and different demographic groups and different generations. They will be in meetings and phone interviews with their peers in other health systems to better understand the clinical operations of each of those systems,” Leonard said.

They are to report back to the strategic options committee.

“They’ll be looking at physician integration, the culture — because that has been a key issue as we’ve gone through the whole thing,” Vice Chairwoman Julie Bennett said. “Bringing two systems together really has to be a cultural fit so they’re going to be talking with people in their same specialty — they kind of speak that language.”

The committee includes a mixture of physicians who work for Wellmont and independent physicians affiliated with the health system, Leonard said.

Collaboration between the system and its physicians is a topic that has received additional attention, Leonard said.
“We’re being very conscious as we’re evaluating our alignment partner to gauge how they manage their employee physicians and how they engage the independent physicians as well,” Leonard said. “In the site visits, I have been extremely impressed by physician collaboration along the entire footprints of those systems. We probably don’t have as much collaboration along the Wellmont footprint as I’ve seen with the other systems.”

During the past two months Wellmont officials have received “tremendous feedback” during a series of meetings with a wide range of constituencies, Bennett said.

“Protecting high quality health care close to home is No. 1 by far,” Bennett said. “Maintaining local input is important, keeping health care costs under control, supporting East Tennessee State University and supporting economic growth.”

In addition to relying on its consulting firm Kaufman Hall, the board is working with other third-party advisers including the law firm Baker Donelson to evaluate each potential partner.

While there is a chance no merger could occur, Leonard said nobody on the board expects the status quo to continue in the face of massive changes within the health care industry.

“Our board is trying to think 10 years into the future. We don’t want to run the system looking in the rearview mirror but looking to see what is out ahead,” Leonard said. “As we visit these other health care systems and see some of the things they’re doing and some of the innovations in outpatient care are extraordinary. They’re figuring out ways to reach patients much more inexpensively in ways that benefit the patient and provide insights into what sustainable models for health care will look like in the future.”
Wellmont leaders look to leave limelight to mull merger options

NATHAN BAKER • OCT 17, 2014 AT 9:23 PM

nbaker@johnsoncitypress.com

BRISTOL — As Wellmont Health System’s merger search inches toward its conclusion, leaders plan to retreat into the board room to deliberate over the remaining candidates.

Now concluding the community feedback phase of the hospital system’s search for a merger partner and entering an audit and verification stage, members of Wellmont Health System’s leadership held a press conference Friday at Bristol Regional Medical Center to discuss the progress.

A year after initiating the search, board of directors Chairman Roger Leonard said not much will be revealed publicly by the company or the board for the next six or seven weeks, as search committee members conduct final interviews with representatives of the three systems still considered candidates for the merger and verify the information they’ve submitted.

“We’ve got three very different and compelling options, each of them bringing different skills and resources to the table,” Leonard said.

Dispelling rumors the board has already made its decision and is merely going through the motions to appear to be performing its due diligence, Leonard said there is no consensus among the board members and the appointed search committee.

“That’s clearly not the case,” he said. “There are still a lot of questions we want to be answered before we make a final recommendation.”

Since August, a group of local businessmen, politicians and other community leaders have been pressuring Wellmont to merge its six hospitals in Northeast Tennessee and Southwest Virginia with regional competitor Mountain States Health Alliance.

The new system, worth $1.8 billion and employing nearly 15,000, could end more than a decade of unhealthy competition, they say, could keep governance of the hospitals and patients under local control and a partnership with East Tennessee State University could make the college a research powerhouse.

In July, Wellmont announced its search had been whittled down to three candidates, one of which was a regional system, but board members and executives at the company repeatedly cited non-disclosure contracts when asked if the local system was Johnson City’s Mountain States.

Board Vice Chairwoman Julie Bennett said a local merger could have, “some compelling potential benefits, but there are some concerns that would have to be overcome, as well.”

Noting that the Tri-Cities has two hospitals with Level 1 trauma centers, the same number contained in the entire state of South Carolina, Leonard said the competition between Wellmont and Mountain States over the years has produced top-level care in the region, denying the premise that the competition has been unhealthy.

To position the system’s care centers to weather the drastic structural changes to health care fees and services in this country, Leonard didn’t say remaining a separate entity was not an option, but was “the least attractive option.”

“Things change, the economy changes,” he said. “Health care is changing, and I don’t believe any of us see the possibility of the status quo being maintained.”

Producing a system with at least $3 billion in annual revenue, which a Wellmont-Mountain States merger would not, would better secure its future, but Leonard also did not rule out dipping below that mark.

“The closer we can get to between $3 and $5 billion, the safer we are, but I would not call it a line in the sand,” he said.

The board still expects to make its recommendation for a merger near the end of the year.

Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook at www.facebook.com/jcpressbaker.
BRISTOL, Tenn. — Recent top-level executive leadership changes have not impacted Wellmont Health System's process to seek an alignment partner, Wellmont officials told reporters during a briefing on Friday. Wellmont has narrowed those potential partners to three unnamed not-for-profit health care systems, with one of those widely believed to be Johnson City-based Mountain States Health Alliance.

A decision is expected by year's end.

"Clearly, no consensus has developed," Wellmont Board of Directors Chairman Roger Leonard said of the decision. "... I know there is a lot of speculation in the community that a decision has been made for one partner or another, but that's clearly not the case. ... Our goal is to do this work right."

Last month, Wellmont CEO Denny DeNarvaez left her position and was replaced by interim president and CEO Bart Hove, former president at Bristol Regional Medical Center (BRMC). Last Monday, Wellmont Chief Operating Officer Tracey Moffatt left and is being replaced by Eric Deaton, a longtime health care executive who previously worked for Wellmont as executive vice president and chief operating officer, effective Nov. 10.

Wellmont board Vice Chairwoman Julie Bennett insisted the alignment partner search has been led by the board since it began in January.

"A leadership transition is not uncommon in these situations. ... It really has not impacted the process at all," Bennett noted.

Jack Butterworth, a retired urologist and member of a committee looking at Wellmont's options, said Hove got a warm reception at a BRMC medical staff meeting upon his return.

"Some of the doctors saw (Hove) and started a round of applause. It was like Arnold Palmer walking up the 18th fairway at Augusta National (where the Masters golf tournament is held)," Butterworth explained. Leonard disclosed Wellmont's probable partner could have annual revenues in the $3-$5 billion range.

"The closer you can get to that three to five billion (dollars), the safer you are," Leonard said. "But it's not a deal breaker."

A business group, led by BancTenn Corp. Chairman Bill Greene Jr., indicated during an August community forum that Wellmont's assets should remain under local governance, and he's been pushing for a Wellmont merger with Mountain States.

When asked about the positives or negatives of aligning with Mountain States, Leonard responded: "That's a hypothetical (question) and I can't speak to hypotheticals but... there are very different positives that each (potential alignment partner) brings to the table. In the site visits, I have been extremely impressed from what I've seen in physician collaboration along the entire footprint of those systems."

Doing nothing, Leonard maintained, is Wellmont's least attractive option because of declining federal reimbursement and other economic issues.

"There are none of us on the board seeing the status quo being maintained. ... No matter what happens, there is going to be change," he warned.

Leonard also told reporters a 16-member physician panel has been added to the search process to interview their peers in those three potential alignment partners and report to the Wellmont board.

"The two systems have to be a cultural fit to really succeed," Bennett observed.

She also defended Wellmont's decision to not identify the three potential partners.

"We have confidentiality agreements in place," Bennett responded. "Those are things they wanted as much as we wanted them. ... All three of the finalists have other things going on so it would be damaging potentially to some of their strategies and other opportunities. ... For protection and best outcome, it would not be reasonable to share who the finalists are."

Leonard said two of three system partners have been visited, with the search process entering an "audit and verification" phase. "It will be a relatively quiet phase over next six, seven weeks ... there won't be a whole lot of new information during this period," he concluded.
Sullivan County officials urge Wellmont to maintain local control of its health care system

BY LURAH LOWERY | BRISTOL HERALD COURIER | Posted: Monday, October 20, 2014 11:00 pm

BLOUNTVILLE, Tenn. — Sullivan County officials added their voices Monday to a list of local governments urging Wellmont Health System to maintain local control of its health care system.

The County Commission voted to support health care systems maintaining local control of operations. Wellmont, which operates Bristol Regional Medical Center in Bristol, Tennessee, and Holston Valley Medical Center in Kingsport, is currently seeking a merger partner.

Health care is the second-largest employer in Sullivan County and Wellmont has about 6,300 employees system-wide. Previously, boards in Kingsport, Jonesborough, Johnson City and Washington County, Tennessee, were among those calling on Wellmont to maintain local control.

The resolution states that ending community ownership and local control could diminish access and the quality of care.

“Regional access to quality healthcare systems that are responsive to our local population health challenges and focused on clinical excellence is integral to the overall desirability of this region,” according to the resolution.

Commissioner Eddie Williams, of Kingsport, the resolution’s sponsor, said he believes county constituents overall agree that health care should remain local.

The resolution was part of a 10-item consent agenda including a list of resolutions that were voted on all at once rather than individually. Lumping them all together sparked a lengthy debate.

Commissioner Patrick Shull, of Kingsport, said there were two resolutions on the consent agenda that he did not support — including the Wellmont measure — saying the decision should be left up to Wellmont’s board of directors.

Shull also said he has voted for state constitutional Amendment 1, which dealing with the state’s ability to create abortion regulations, but he believes the issue should not come before the commission because it is a state matter. Commissioners ultimately voted to show their support for that amendment which is one of four on the Nov. 4 general election ballot.

The amendment states that nothing in the state constitution “secures or protects a right to abortion or requires the funding of an abortion” and that the state holds the right to enact, amend, or repeal statutes regarding abortion.

Commissioner Matthew Johnson, of Kingsport, sponsored the resolution on Amendment 1 and said he feels it is important to show solidarity with the Tennessee General Assembly on the matter.
“This will actually put an amendment on there that will give the right to enact laws regarding abortion,” Johnson said. “It puts it back in the people’s hands so they can make a decision on it.”

After the long debate over the definition of a consent agenda — and whether it should be allowed — commissioners passed the 10-item agenda. County attorney Dan Street told the commission that it should be made clear what the definition of a consent agenda is, which was not decided on by the commission during the meeting.

Some of the other resolutions in the approved consent agenda were an amendment to the county’s fiscal 2014-15 budget and the purchase of medical equipment for paramedics.

The budget was amended to appropriate $100,000 out of the general fund surplus to replace two water heaters at the Sullivan County jail and an air conditioning unit at the Sullivan County Public Library.

Also approved was the purchase of a $28,000 MRx Verizon Wireless Link and HeartStart Data Messenger that will allow cardiac and other vital data to be sent from paramedics on site to hospitals via WiFi.

The commissioners also approved a memorandum of understanding with Wellmont Health System. The memorandum will allow the system to satisfy the requirements of the Public Health Services Act, which allows for more uninsured individuals to be treated and would lower the cost of prescription purchases for the system.

County Mayor Richard Venable said during a commission work session Thursday that it is his understanding that prices in that program would be near Canadian drug prices.
Chamber’s silence on possible health care merger is disappointing

I was disappointed to read in the Johnson City Press that the Johnson City, Kingsport, and Bristol Chambers of Commerce do not have a position regarding whether Wellmont Health System merges with an out-of-state health care system that will move their headquarters hundreds of miles away, or whether it should merge with Mountain States Health Alliance and keep its headquarters based in the Tri-Cities.

Having been a member of the Johnson City Chamber for the past 30 years, I am generally supportive of their positions. However, in this case I must disagree.

According the Johnson City Chamber’s website, its mission is to “promote business and enhance economic and community development” Yet, when we have a large business considering whether to leave the Tri-Cities by merging with an out-of-state company, it doesn’t have a position?

If a business the size of Wellmont were considering whether to relocate their headquarters to the Tri-Cities, all three chambers would be rolling out the red carpet to encourage them to locate here. I believe it is equally important to support and encourage our local businesses to remain in the Tri-Cities as it is to recruit new business to our area.

According to the Johnson City Press article, the chambers may take a position in the future. I sincerely hope they will follow their mission statement and lead the charge to keep Wellmont in the Tri-Cities. There is no doubt it is in the economic interest of the Tri-Cities to keep Wellmont based here.

CHARLES E. ALLEN JR.
Johnson City
Wellmont leaders meet media to discuss "strategic" plan

BY JEFF KEELING

Physician input is increasing, finalists are being vetted, and the Wellmont Health System board sees "potential compelling benefits to a regional merger" but also has concerns about the prospect of a Wellmont-Mountain States Health Alliance marriage.

Wellmont’s board leadership briefly briefed reporters on the hospital system’s search for an “alignment partner” Friday at Bristol Regional Medical Center in Wellmont’s first such event since announcing the search in January. Several new wrinkles emerged — at least to the public eye — as the chairman, vice chair and a strategic options committee member reviewed the process to date, answered questions and acknowledged there’s some chance the process could end without any deal.

Hoping to make a decision by year’s end, leadership is moving from “intense engagement with the communities” served by Wellmont to intense conversation and due diligence with prospective partners, Chairman Roger Leonard said. The goal? “The highest quality, sustainable care for our region in the face of the headwinds of reform and reimbursement cuts.”

In late July, Wellmont announced that three systems remained as finalists for a merger, and that one was a “regional system.” All three are not-for-profits, as is Wellmont. Shortly thereafter, an outside effort to push for an alliance with Mountain States — and for more communication from Wellmont in its search process — took root.

Leonard, Vice Chair Julie Bennett and strategic options committee member Dr. Jack Butterworth maintained the veil of confidentiality surrounding the finalists Friday. If Mountain States is one of them, however, the prospect of that deal received considerable discussion.

Saying a potential Wellmont-Mountain States partnership “has both passionate supporters and some passionate opponents,” Bennett added that while the board sees benefits to such, “there are some concerns that will have to be — that would have to be overcome.”

Such a merger, were it to be proposed, would likely have to overcome more regulatory hurdles than one with an outside system due to the absence of competition it would create in the metro marketplace. It also would mark a pullback from Wellmont’s earlier suggestion that it needed to be part of a $3 to $5 billion system to have enough scale to compete.

Mountain States’ annual revenues are about $1 billion, Wellmont’s slightly under $800 million.

The system size factor is one of many, and one that, Chicago-based consulting group KaufmanHall is suggesting Wellmont consider, Leonard said Friday.

“My view is, and I think the board and the strategic options committee generally agrees, that the closer you can get to that $3 to $5 billion, the safer you are,” Leonard said, later adding: “I would say going below three to five is a risk factor, but it’s not a dealbreaker.”

Mountain States CEO Alan Levine has in recent weeks publicly contended that the region and both systems have suffered from the effects of nearly two decades’ competition between them, primarily in unnecessary duplication of services that has raised costs and left the region with oversupply. Asked whether the Wellmont board viewed that past competition similarly, Leonard said such a question, “doesn’t yield a simple answer.”

“In one sense the competition has allowed us to generate the medical assets we have in this area, and the access. Some have said that maybe we’ve overbuilt on the access side. I think that’s an open question,” Leonard said.

What isn’t in question is that Wellmont’s leadership has turned to local physicians — both those employed by Wellmont and independent ones — for more input on the strategic process. As health care moves toward “population health management” and providers are encouraged by payors to keep people well and manage illness, doctors will be instrumental in the transition from an inpatient-heavy focus to an outpatient-centered one, Leonard said.

The board has named a 16-member physician panel to interview the three finalists so Wellmont can get "broad-based clinical insight from our physicians as they interview their peers in these other health systems,” Leonard said. Butterworth

Ask the Vet

Keep Your Pets Happy on Halloween

Halloween is one of the most fun times of the year (and my favorite holiday). Here are a few tips to help keep your pet safe.

- No tricks, no treats (especially chocolate)
- Keep pets away from the door
- Keep outside cats in the house on Halloween
- Don’t keep lit pumpkins around pets
- Keep wires and cords out of reach
- Try on pet costumes before the big night
- Make sure your pet wears his ID

Appalachian Animal Hospital

5462 Hwy. 11-E
Piney Flats
423.538.8119
aah4pets.com
acknowledged that effort, which will end in a report from the panel but no voting authority, came after some doctors felt underrepresented in the process.

"I'm particularly interested in the physicians' viewpoint of this," Butterworth said. Physician partnerships and leadership are important, he added, and "doctors that are involved with it need to be part of the decision-making, so we want to integrate that (in any newly formed system)."

While the board has in some respects entered the home stretch, Leonard said the ultimate outcome is far from certain. He referred to “a lot of intense conversation in the strategic options committee earlier this week,” and said “there is no consensus developed.” That committee includes eight of Wellmont’s 17 board members and four representatives not on the board. Leonard declined to identify its members when asked to several weeks ago.

Wellmont will double and triple-check information prospective partners have given it, and those partners will visit Wellmont to give presentations next month. Leonard said during the committee meeting last week members, “challenged a lot of the information we’re receiving from our potential partners. We really need to stress test their proposals.”

Butterworth said “we’ve got three great candidates.” Leonard added that “there are very different positives that each can bring to the table.”

And while Leonard said he is highly confident the search will end in a merger, he did acknowledge that roughly a quarter of such searches end without a deal being consummated. Sometimes that’s due to regulatory restraints, but other times the right deal just isn’t there once all the details have been parsed, Leonard said.

"I believe that we’re not going to accept an arrangement that isn’t positive and beneficial for our region and for our patient population."

Leonard did reiterate Wellmont leadership’s long-stated contention that the system is an attractive partner in its own right, "because of some of the things that we’ve been able to achieve."

“We have a very low cost of care because of the low Medicare reimbursement rates in this region, and also too, again, some of our service lines (cardiology and oncology were mentioned earlier) are just outstanding.”
Updated: Johnson City area Chamber backs Wellmont-Mountain States merger

NATHAN BAKER • OCT 29, 2014 AT 10:38 AM
nbaker@johnsoncitypress.com

Three weeks after deciding to reserve their decision on a looming health care system change in the Tri-Cities, on Monday the Johnson City Chamber of Commerce’s board of directors unanimously recommended a merger between Wellmont Health System and Mountain States Health Alliance.

With Wellmont’s board potentially a few months away from announcing the results of its search to find a partner or merger, Johnson City Chamber board Chairwoman Lottie Ryans said the members recognized the importance of maintaining local control of the region’s hospitals and clinics.

“Obviously, we want to drive down health care costs, that’s important to all businesses,” Ryans said Tuesday. “If the Wellmont board chooses to partner outside the region, the opportunity for that local control is gone. We felt a merger between the two would make a stronger health care system, it would make us formidable for research and education and it would also help us hit those price points that will help local employers.”

Some criticism of the proposed merger focuses on the negative effects a health care monopoly could create, but Ryans — and other proponents of the deal — said those effects could be mitigated if the state Legislature set up a Certificate of Public Advantage, which could limit cost increases and the future expansion of the system.

Between the Chamber’s Oct. 10 announcement, in which the board said it had not yet formed an opinion, and Tuesday’s revealed decision, Ryans said the board met with Mountain States CEO Alan Levine and with representatives from Wellmont.

“They were able to share information about the organizations, and we were able to vet them and talk through the issues that we could see,” Ryans said. “That’s where we landed.”

Since the issue was brought to the public eye in August by a group of businessmen and public officials, several elective and representative boards have reached that same conclusion.

In September, the Johnson City Commission, the Washington County Commission, the Kingsport Board of Mayor and Aldermen and the Washington County Economic Development Council all passed resolutions in one form or another urging the area’s health care institutions to remain under local governance.

Wellmont’s board, now more than a year into the vetting process, has narrowed the field to three systems, one of which they said is regional, and two others from outside the area.

Confidentiality clauses have kept the identities of the suitors secret, but speculation has pointed to a few possible candidates, from neighboring Covenant Health in Knoxville to Charlotte, N.C.-based Carolinas HealthCare, a mega-system overseeing more than 38 facilities.

Read the news release.
Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook: www.facebook.com/jcpressbaker.
Chamber of Commerce right in finally speaking up about Mountain States-Wellmont merger

JOHNSON CITY PRESS • OCT 30, 2014 AT 3:58 PM

Better late than never. That’s the best way to sum up this week’s decision by the Johnson City Chamber of Commerce’s board of directors finally to endorse a merger between Wellmont Health System and Mountain States Health Alliance.

As Press Assistant News Editor Nathan Baker reported in Wednesday’s paper, the announcement comes nearly three weeks after chamber officials said they had decided not to take a position on Wellmont’s search for a partner. The chamber, at that time, also declined to speculate on the prospects of MSHA being a suitor for Wellmont.

As we noted in this space on Oct. 19, the Chamber’s decision to sit on the sidelines disappointed many community leaders who believe the Chamber should be taking a strong position on an issue that impacts so many in the Tri-Cities. At the very least, Chamber leaders should have explained why they were so reluctant to support a local health care partnership.

Chamber officials received a lot of feedback for their decision. They no doubt heard from many members who wanted to see the Chamber weigh in on this issue before Wellmont completes its search for a merger partner. Johnson City Chamber board Chairwoman Lottie Ryans said Tuesday her members recognized the importance of maintaining local control of the region’s hospitals and clinics.

“Obviously, we want to drive down health care costs, that’s important to all businesses,” Ryans said. “If the Wellmont board chooses to partner outside the region, the opportunity for that local control is gone.”

Local control is important. So is improving the quality and access to care in our region. Those concerns must not be forgotten as Wellmont proceeds with its search for a health care partner.
Remaining Wellmont merger options fit mission goals, board leaders say

BY DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Monday, November 10, 2014 10:38 pm

Wellmont Health System’s list of potential alignment partners has been narrowed from three to two, but it’s not clear who made that decision.

On Monday, the regional health care provider issued a written statement updating a search process that began earlier this year.

“The strategic options evaluation by Wellmont Health System’s board of directors continues to make significant progress, with the field of potential alignment partners being narrowed to two,” according to the statement.

The statement doesn’t specify whether it was a Wellmont board decision or whether the third firm withdrew from consideration. In response to a question from the Bristol Herald Courier, Wellmont spokesman Jim Wozniak declined comment.

“The particulars of how the field was narrowed to two candidates are a confidential part of the process, so we are unable to share any further details,” Wozniak said in a statement. “It is just the latest progression in the alignment search process. We want to emphasize however, that the remaining organizations are aligned with Wellmont’s mission and values and the guiding principles our board has used during this process.”

Wellmont, headquartered in Kingsport, Tennessee, owns and operates a number of health care facilities, including Bristol Regional Medical Center and Holston Valley Medical Center in Kingsport.

Officials with Wellmont are seeking a merger due to the current state of U.S. health care and the company’s declining margins. Wellmont reported about $750 million in earnings last year and its operating income dipped from more than $22 million in fiscal 2011-12 to less than $5 million last year.

About two-thirds of Wellmont’s payments come through Medicaid and Medicare and both federal programs are expected to decline in the future. Lawmakers in Tennessee and Virginia also didn’t vote to expand Medicaid, which Wellmont officials say will impact their financial bottom line.

Illinois-based consulting firm Kaufman Hall identified $3 billion in annual earnings as an earnings threshold to remain viable in the face of sweeping changes in health care.
“With two strong candidates remaining, Wellmont is confident the best option can be attained,” board Chairman Roger Leonard said in the statement. “Together with Wellmont’s already strong achievements in clinical excellence, the prevailing partner will further equip our organization to meet the health care needs of the region for generations to come. Our board remains intently focused on the significant work that must occur to ensure we take the right path.”

The names of the remaining health systems being considered won’t be disclosed due to confidentiality agreements, but Leonard said they include a regional option and an organization outside the region, both of which are “aligned with the principles the board adopted to guide its decision-making process.”

Wellmont officials have continually declined comment on speculation that the region’s other primary health provider — Mountain State Health Alliance — is one of the potential partners. A number of local government and business leaders have called on Wellmont to merge with MSHA so that decision-making would remain local.

Wellmont board members were expected to complete site visits to all three potential partners last month and then host presentations from all three, Leonard previously said.

He emphasized that the board has not reached a conclusion about a potential partner.

“We’re excited about the possibilities the remaining organizations represent for Wellmont and the patients we serve,” Leonard said. “Over the coming weeks, we’ll continue to evaluate our options and still anticipate making a final decision in December.”
And then there were two.

After months of consideration by Wellmont Health System's Board of Directors, the field of candidates seeking to merge with the regional health care provider is down to two finalists.

A media release Monday from Wellmont announced the candidate number change, down from six in June and three in July.

Like the previous announcements dribbled out through the course of the year, the nonprofit's board declined to name the remaining options, citing confidentiality agreements.

The release did characterize one of the candidates as "a regional option" and the other as an organization outside the area.

The regional option is presumably Johnson City-based Mountain States Health Alliance, and while neither party has confirmed Mountain States' bid, a number of business principles, politicians and higher education leaders have made a push for a merger between the Tri-Cities' two health care systems.

In Tuesday's release, Wellmont board Chairman Roger Leonard says the conclusion is not foregone, and the board expects to make a final recommendation in December.
Two finalists remain in Wellmont partner search

By: Kristen Quon

Posted: Nov 10, 2014 06:05 PM EST

Updated: May 24, 2016 03:32 AM EDT

The number of potential health care partners for Wellmont Health System has been narrowed down to two.

The names of the remaining health systems the board is considering cannot be disclosed because of confidentiality agreements signed by both sides early in the process.

Roger Leonard, the board's chairman, said the contenders are a regional option and an organization outside the region, both of which are aligned with the principles the board adopted to guide its decision-making process.

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Improve health care
A merger between Wellmont Health System and Mountain States Health Alliance is the only viable, reasonable answer to a better health care system for our entire region. Selling to an outside system would be disastrous to our area economically.

I strongly suggest that Wellmont become more transparent and listen to the suggestions/comments/wishes/ideas of the people of the communities they serve. For the sake of our health care, the East Tennessee State School of Medicine and our work force, a merger between these two entities is necessary.

DEBBIE ALEXANDER
Elizabethton
Competition is healthy

Although there may be a business or industry that does not benefit from free enterprise, by a wide margin most organizations thrive and prosper under good, top quality competition. Would we have as powerful and economical computing devices today without competition?

Would we have the automotive technology and quality we enjoy today without competition? I doubt it.

For most of us, we do our best when we are met with a challenge.

Although there are many aspects of health care in our area to be proud of, overall I believe there is much room for improvement. We have lived, worked and raised a family in a number of communities, large and small, in the Southeast. Without exception, the communities with the best health care services were those that also had thriving, healthy competition.

I encourage Wellmont Health System to find a partner who will help them provide top quality care at a reasonable cost rather than one that preserves “local” control.

BOB COOPER
Johnson City
Wellmont’s value
Large regional health system offers facilities, services and physicians to potential partner

By HANK HAYES
hhayes@timesnews.net

KINGSPORT — What value would Wellmont Health System bring to an out-of-region health care provider looking for a major acquisition? Holston Medical Group Founder Jerry Miller posed that question to Wellmont Board of Directors member Roger Mowen, who has been doing civic club presentations explaining why Wellmont needs an alignment partner.

“I bring scale,” Mowen, a retired Eastman Chemical Co. executive, told Miller during a talk to the Kingsport Rotary Club.

In the recent health care acquisition environment, Mowen pointed out, most providers have been taking on one hospital at a time. Wellmont, in contrast, has a half dozen hospitals in Northeast Tennessee and Southwest Virginia, plus heart and oncology services, outpatient and skilled nursing facilities, and physicians.

“If you bring them $850 (million, Wellmont’s annual revenues) they get more scale, they get more leverage. ... Our cost of care is better than anyone in the region,” Mowen said.

Mowen’s pitch is part of Wellmont’s ongoing dialogue stressing that alignment with another health care provider is in Wellmont’s, and the region’s, best interests.

Wellmont is talking with one “in region” partner widely believed to be Mountain States Health Alliance, plus two other out-of-region systems, with a decision expected by the end of the year.

While the Wellmont Board of Directors have all signed agreements not to disclose who the potential partners are, Mowen said the two out-of-region systems are based in the Southeast.

Ideally, said Mowen, Wellmont would hook up with a not-for-profit health care provider with $3-5 billion in annual net revenues.

“A lot of health systems do not expose this to their citizens,” Mowen, who chairs a Wellmont finance committee, said of acquisition deals between providers. “They do it behind a closed door and then one day they announce it. ... That was a choice we had. Our preference was ‘No, we need to be transparent. We need to tell the community this is the path we’re going through’ and we get the input of the community. ... We decided early on we wanted the community engaged.”

A business group headed up by BancTenn Corp. Chairman Bill Greene Jr. has led a public discussion pushing for a Wellmont alignment with Mountain States.

The region, Greene stressed, would lose local control of Wellmont’s holdings if it teams up with an out-of-region partner.

Wellmont’s 17-member board, Mowen maintained, is quite capable of making the right decision.

“The board is in control of this process ... This is not a management led process,” Mowen told the Kingsport Rotary Club audience, many former Wellmont board members and active physicians.

There’s more to Wellmont’s decision than having access to the capital assets of a huge health care provider, Mowen said.

“We also think about things like average age of physicians here in the area is 56 years old,” Mowen told Rotarians. “In the next five or so years, there will be a lot of change in the physician population here. So you want to have a health system that’s attractive for young physicians to come to. You want to have technology that lets them practice what they have learned in school. ... You need to have coverage for all those service lines, and you need to have those physicians who are high in demand.”

While Wellmont has cut $60 million in expenses, Mowen observed it also is getting reduced federal government reimbursement in the Medicare and Medicaid programs.

Wellmont is also getting paid less from health care insurers because high-deductible plans are in place, and less people are using hospital beds, Mowen said.

“Our hospitals are generally well occupied today but over the last several years we’ve seen a decline of about 12 percent in (patient) volume,” Mowen noted. “Our main obligation to the citizen is to deliver quality care. ... Most hospitals that have been acquired ... have been for one or two reasons,
consolidation within a region because it just makes more sense and secondly hospitals find themselves in trouble and have no option but to look for a partner ... 60 percent of hospitals in Tennessee are losing money, and rural hospitals are losing money. ... We’re not alone in this.

“We’re in control ... We can still stay independent. We don’t like the way that future looks but we still have the right. Nobody tells us to make that decision but the board.”

The board’s decision, said Mowen, “could leak” into 2015 but needs to be made because of Wellmont’s employees.

“You can imagine employees would like to know the answer to this,” he said. “They want to know is it going to affect my job. ... We don’t like that environment because we’re caring for people every day in the hospital. ... The board thinks the level of service we have now is appropriate for the community.”

Miller agreed with that assertion during a question-and-answer period after Mowen’s presentation.

“Health care right here in the Wellmont Health System is probably better than 85 percent of Tennessee,” Miller proclaimed.

Mowen also pointed out there needs to be a good connection between Wellmont and its partner.

“Most failures in mergers or acquisitions (happen) because of a poor integration process,” Mowen said.

One potential glitch in a Wellmont alignment with Mountain States could be in integrating electronic medical records (EMRs). Earlier this year, Wellmont launched its use of Epic software in EMRs. But Mountain States uses two different EMRs for its hospitals and medical groups, according to a spokeswoman.

A Wellmont alignment with Mountain States, Mowen added, would also face state and federal scrutiny.

“We would have exit capability but once you unscramble that egg it would be very hard to scramble it,” Mowen concluded. “... We could still say ‘No.’ No board member has come to a decision.”
On a mission: Pair try to prevent Wellmont from aligning with an outside system

HANK HAYES • NOV 12, 2014 AT 2:08 PM

KINGSPORT — Alan Levine and Bill Greene Jr. have been selling the notion of a worst case scenario while making the rounds at Kingsport civic clubs lately.

They both insist that if Kingsport-based Wellmont Health System sells out to or aligns with a large health care provider from outside the region, all local control of Wellmont's hospitals will be gone.
"If you don't have that local control, it's gone ... and you don't get it back," Levine, president and CEO of Johnson City-based Mountain States Health Alliance, warned during a recent talk to the Kingsport Rotary Club. Wellmont has said it is considering three not-for-profit alignment partners, with one widely believed to be Mountain States. "If we don't get it right, once the genie is out of the bottle, we'll never put it back in," Greene told the Kingsport Kiwanis Club. Levine appears to be choosing his words more carefully. "We would far rather partner with Wellmont than see it go with another health system," Levine told Kiwanians of how Mountain States feels. Levine, in his first year leading a 14-hospital system serving 29 counties in a four-state area, keeps hammering the idea that Wellmont should not pick a business partner from afar. "Who do you trust with the best interests of this region?" Levine asked Rotarians. "A board that is local and has the fiduciary responsibility for how those dollars are spent? Or a board that is hours away that has no history in this region, and no connectivity to our major medical school and frankly, no matter what promises are made today, their fiduciary obligation as a board is to do what's best for their system, not for the Tri-Cities. ... The absolute last thing we would do is give up control of a billion dollars worth of assets that people in this community have given blood, sweat and tears ... to these hospitals." Levine also acknowledges the difficult business conditions driving hospital mergers — declining federal reimbursement, less revenue from commercial payers and fewer in-patients. "Nothing is what it was yesterday," he admitted. "Health care has changed so dramatically and it's going to change again. ... I do believe, given the magnitude of the issue, while Wellmont has set out on a deliberate process and there are non-disclosure agreements, we do not think it is necessarily appropriate for Mountain States Health Alliance to sit on the sidelines when something of this magnitude is being discussed." Levine also admits both health care providers — with close to 14,000 jobs, nearly $2 billion in net revenue and a quarter billion dollars in cash flow — aren't failing. "I push back hard when I hear people say 'We've got two mediocre systems. Why would you want to have two mediocre systems come together?' I stop them right there. ... Both have had accomplishments and awards," Levine asserted. Both systems, Levine noted, are under pressure to increase revenue from employer-supported health plans or cut their cost structures to sustain cash flow. Levine also admitted there's a "lot of redundant capacity" in both health care providers. For instance, Levine said both Holston Valley Medical Center and Johnson City Medical Center are Level One Trauma Centers within 20 minutes of each other. "When you have two systems doing redundant things, you have twice the cost," he pointed out. The region's health care providers, Levine argued, should be reducing employers' health insurance expense by addressing smoking, diabetes, literacy and death from heart issues and canc e r. "We are clubbing each other over the head to compete for a smaller (economic) pie," Levine explained. "Does the region really win in that environment? I don't think so, I think we waste a lot more money. ... Why aren't we solving these problems? Because every day we go to work trying to outdo each other." Levine stressed the physicians in both Wellmont and Mountain States know each other well, and by working side by side, could leverage more federal research dollars and develop more physicians at East Tennessee State University's Quillen College of Medicine. "I think we just get one shot at this," Levine said of Wellmont's decision. "These hospitals do not belong to us. ... They are community gems," Levine concluded. "We feel it appropriate to have this dialogue at this point in time." A merger of the two systems, said Levine, would need approval from the Tennessee attorney general's office. Board oversight and management structure would be yet another issue.

Still, Greene said his and Levine's efforts are having an impact on the Wellmont Board of Directors. "I know that by the way the Wellmont board is acting and what they're saying," Greene said. "Everyone we have talked to in the whole region who we've explained our side of the story to, we get 100 percent support. ... (Wellmont) is nervous. They thought they had this thing nailed, and all of a sudden the community woke up. The cavalry arrived." Wellmont is expected to make a decision on its merger plans by the end of the year.
The strategic options evaluation by Wellmont Health System's board of directors continues to make significant progress, with the field of potential alignment partners being narrowed to two.

Names of the remaining health systems the board is considering cannot be disclosed due to confidentiality agreements signed by both sides early in the process. But Roger Leonard, the board's chairman, said the contenders are a regional option and an organization outside the region, both of which are aligned with the principles the board adopted to guide its decision-making process.

"With two strong candidates remaining, Wellmont is confident the best option can be attained," Leonard said. "Together with Wellmont's already strong achievements in clinical excellence, the prevailing partner will further equip our organization to meet the health care needs of the region for generations to come. Our board remains intently focused on the significant work that must occur to ensure we take the right path."

Leonard emphasized the board has not reached a conclusion about a potential partner.

"We're excited about the possibilities the remaining organizations represent for Wellmont and the patients we serve," he said. "Over the coming weeks, we'll continue to evaluate our options and still anticipate making a final decision in December."

The board recently completed a phase of extensive engagement with Wellmont co-workers, physicians and the community. Leonard said the result of these conversations was an even stronger sense of what is important to those the health system serves. The board is using the input to shape its continuing evaluation and has discussed with the prospective partners what the community values.

Leonard said the board encourages people to continue visiting www.forwardwithvision.org, the website dedicated to the strategic options process, to submit questions, read news and updates and visit the Fact Check page for answers to frequently asked questions and rumors.
SWVa. legislators urge Wellmont officials to be open about merger

ALLIE ROBINSON GIBSON | BRISTOL HERALD COURIER | Posted: Saturday, November 22, 2014 1:00 am

Four Southwest Virginia legislators sent a letter Friday urging hospital leaders to be more open about Wellmont Health System’s pending potential merger with another chain.

The letter states that it seems to be common knowledge that Mountain States Health Alliance, the region’s other health care provider, is a potential merger partner, and they want both Wellmont and Mountain States to be more candid about what a merger could mean for Southwest Virginians.

The letter, sent to Roger Leonard, chairman of Wellmont’s Board of Directors, and Bart Hove, Wellmont’s interim president and CEO, was signed by Delegate Terry Kilgore, R-Gate City, Delegate Israel O’Quinn, R-Bristol, and Senators Ben Chafin, R-Hansonville, and Bill Carrico, R-Galax.

Wellmont officials are considering a merger with another entity and announced earlier this month that the list of potential partners has been narrowed to two. The names of the partners have not been disclosed and Wellmont officials have said they expect a decision by the end of the year.

“We write because we have grown increasingly concerned about the impact of your discussions on where ultimate decisions affecting the delivery of health care in Southwest Virginia will be made and request your assistance in better understanding one of the potential outcomes of that process,” the legislators wrote.

“Despite our best attempts to learn more about the actual potential plans of a joined system, we understand that Mountain States Health Alliance cannot discuss its proposal in detail because of the non-disclosure agreement with Wellmont Health System.”

The legislators said they want to understand what the Wellmont proposal is, because it “may provide the best solution for our region going forward for many reasons, including the desire to keep ultimate decisions regarding our health care within the region.”

“In Virginia, we have witnessed the reality of having health care decisions made outside our communities, even when they are simply made in Eastern Tennessee,” the letter said. “We are anxious to learn more about the factors that will control the ultimate decision; however, we cannot imagine conceding such authority to a distant owner outside our immediate region.”
Kilgore, upon whose letterhead the letter was written, said in a telephone interview with the Bristol Herald Courier Friday that he feels the information is important because of the impact a merger could have on people in Virginia. Most legislators in the region, like Kilgore, have both Wellmont and MHSA facilities in their jurisdiction, he said.

“Of course, we’d always prefer local control, but we’d like to see more information on the table of what each [potential partner] brings,” he said.

Carrico said his main concern is about what an outside influence would bring into the region.

In addition, he said, the General Assembly session is set to begin in about a month, and legislators want to be prepared should something happen that they need to address. The attorney general has to approve the merger of large non-profits in Virginia.

“We’re not sure until they make a decision what we in the General Assembly have to do to make sure the public is taken care of,” Carrico said.

The letter was also copied to Alan Levine, president and CEO of MSHA. Legislators wrote that they hope “he too will share our desire for more open dialog on this subject.”

Mountain States officials declined comment Friday and throughout the process have deferred questions about whether MSHA is one of the potential merger partners, saying it’s Wellmont’s process.

Wellmont officials issued a written statement saying they’ll take an appropriate amount of time to review the letter’s contents.

“We value the input from these legislators like we value the input we have received from the community at large,” the statement said. “Our board of directors is taking all these diverse perspectives into consideration as it moves forward with this very important and complex decision about the future of Wellmont.”

Southwest Virginia’s legislators aren’t the first to call for more transparency in the merger process. Kingsport leaders hosted a forum in late summer, calling for the ownership of the system to be kept locally, and Bristol’s mayors have made similar statements.

When a draft copy of the letter went before Washington County Board of Supervisors Chairman Phillip McCall last week, he said he didn’t want to take action without more information and permission from the board, but Abingdon Mayor Ed Morgan said he supports the effort to get more information about the merger process.
memories still fresh

Wellmont merger prospects reduced to two systems

BY JEFF KEELING

What was to be a “relatively quiet phase” in Wellmont Health System’s search for a strategic partner got a little less so Monday, as the hospital system announced one of its three finalists for a potential merger is no longer under consideration. Of the two that are, one is a “regional system” – presumably Johnson City-based Mountain States Health Alliance, though Kingsport-headquartered Wellmont has cited confidentiality agreements in declining to disclose candidates.

The mid-afternoon announcement, a statement sent via email from Wellmont spokesman Jim Wozniak, did not reveal whether Wellmont had eliminated the third finalist from contention, or whether that system had removed itself from the process. Asked directly via text message, Wozniak wrote, “the particulars of how the field was narrowed to two candidates are a confidential part of the process, so we are unable to share any further details.”

The statement did say that both remaining candidates are “regional systems.”

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finalists "are aligned with the principles the board adopted to guide its decision-making process."

Wellmont board chairman Roger Leonard – who said at an Oct. 17 news conference that the next six or seven weeks would be a period without "a whole lot of new information," added Monday that Wellmont was confident the best option can be attained. "The prevailing partner will further equip our organization to meet the health care needs of the region for generations to come."

Whatever the cause, narrowing of the field was not unwelcome news to longtime area banker Bill Greene, who since August has been a vocal advocate of a Wellmont-Mountain States merger.

Speaking to News and Neighbor for the first time in several weeks, Greene said proponents of a local merger have been continuing to make their case for its merits.

"I think there's no question the chances for Wellmont and Mountain States to improve their relationship and seriously be considered as a marriage, one unit, have been increased immeasurably," Greene said.

Greene, who expressed confidence the Wellmont board would make the best decision for the region's long-term future, said local merger advocates have met with numerous political heavy-hitters in recent weeks. Their desire – first laid out in an Aug. 18 public forum in Kingsport – is for a merged system that also formally folds in, somehow, East Tennessee State University's medical school and other health sciences programs to create an academic health system.

Monopoly concerns are a major issue, and a Wellmont-Mountain States alignment would need to receive a so-called "certificate of public advantage," or COPA, that would theoretically control prices through regulation. Tennessee has a COPA law but Virginia does not, adding a layer of complexity to any prospective merger between Mountain States, a $1 billion system, and Wellmont, an $800 million one.

In essence, Tennessee's law considers allowance of a COPA if "the likely benefits resulting from the agreements outweigh any disadvantages attributable to a reduction in competition that may result from the agreements." (Read the Tennessee law's text at bjournal.com/copalaw.)

Greene, however, said meetings with the governors, attorney generals and health commissioners of both states have gone well. "They all like the COPA," Greene said, adding that much study has occurred of a COPA governing the Mission hospital system in Asheville, N.C.

"We've talked to the governor of Tennessee (Bill Haslam), who promotes this idea 100 percent," Greene added. In August, he had told News and Neighbor that due to Virginia's lack of a COPA law, and probably other cost concerns, Eastman Chemical Co. in Kingsport had remained mum on the merger issue. Greene sounded Monday like he hoped those concerns had been addressed.

"The big winner would be Eastman Chemical, because you stabilize the cost increase going forward, like has happened in Asheville, N.C. where you've had Mission Hospital increase only by the consumer price index annually.

"I do not know what Eastman has decided, but I do know that Eastman is very smart and will figure things out the right way, which they generally always do."

Monday's Wellmont release cited recent "extensive engagement with Wellmont co-workers, physicians and the community" that resulted in "an even stronger sense of what is important to those the health system serves." The release said Wellmont was using that input into "shape its continuing evaluation" and that it has discussed community values with prospective partners.

Greene suggested the other remaining partner – a not-for-profit system like Wellmont and Mountain States – has "absolutely no cultural overlap whatsoever to the Tri-Cities."

ETSU President Brian Noland also addressed the issue in the week following Wellmont's Oct. 17 news conference.

Noland has been relatively blunt in his contention that local governance is crucial for the area's health care systems. He also has championed an academic health system, arguing it could lead to a large increase in research funding for the university and consequent economic growth. He said people have been receptive to both arguments.

"These are community jewels and community assets," Noland said. "I think there is, at a very basic level, an appreciation of the need to keep governance local."

"This is pretty complicated, however. There's state regulation that could come into play. I'm encouraging a lot of folks to research the Asheville experience. I'm trying to read everything that I can get my hands on.

"The response has been very positive conceptually, but there's a lot of detail that we've got to work our way through."

Mary Duke Cooks! Sassy Southern Cuisine

I like a little variation of flavors in my roasted sweet potatoes. Instead of the typical butter, brown sugar and cinnamon on a baked sweet potato, I prefer the sweet, earthy flavors of olive oil and garlic. Not only does the olive oil add a nice, savory flavor, but it also helps to keep the potatoes tender and moist. The garlic adds a slightly sharp note that pairs well with the sweetness of the potatoes. It's a simple yet delicious way to enjoy sweet potatoes that will have everyone wondering what new twist you've added!
Whether solo or with Mountain States, panel urges Wellmont to stay local

• NOV 25, 2014 AT 5:16 PM

KINGSPORT — Four panelists appeared before a packed auditorium Monday evening at Kingsport’s Center for Higher Education to implore a local health system to retain its local control, either by maintaining a physical presence in the region or by merging with its competitor of nearly two decades.

East Tennessee State University President Brian Noland, Kingsport Mayor Dennis Phillips, Holston Medical Group founder Jerry Miller and Carter County banker Bill Greene each stated his case for regional health care provider Wellmont Health System to either remain a separate, community-owned entity or merge with Johnson City-based Mountain States Health Alliance.

Greene, one of the organizers of the event, said he was worried the local system would be undervalued if sold to a health system from outside the region, and a large driver of the economy, with 6,400 employees, would lose local control.

“Once you let the genie out of the bottle, you’ll never put it back in,” Greene said. “We need to take care of this today — it’s a generational issue.”

Wellmont’s board of directors publicly announced the plan to find what it called a strategic partner in January, but the process began receiving extra scrutiny only recently, when Greene and other local leaders took interest in the search.

A public relations blitz started early last week to help sway public opinion in the direction of a Wellmont-MSHA merger.

As Greene made the rounds in Johnson City, Kingsport mayor Dennis Phillips and Bristol, Tennessee, mayor Lea Powers espoused the merger to local media in their respective territories.

A website, saveyourhospitals.com, launched Saturday with accompanying Facebook and Twitter accounts, displaying similar views to those of the Monday forum’s organizers.

For their parts, both health systems targeted by the campaign released statements, but non-disclosure agreements hampered detailed public discussion of the potential merger search.

“No doubt, you’ve also heard of some community members who are hosting a public forum next week to talk about the future of Wellmont. We welcome all reasonable discussions on this critical topic,” Wellmont’s Board of Directors Chairman Roger Leonard said in a released statement Thursday. “Unfortunately, some members of this group have labeled the discussion as an effort to ‘save’ our hospitals. As a board member, a longtime resident and as someone who has been personally impacted by the great care our hospitals provide, I can tell you that our hospitals do not need ‘saving.’ ”

Wellmont’s own advocate website, forwardwithvision.org, contains a survey of the board’s hard-to-oppose, self-defined partner search criteria, as well as a page created to collect and dispel rumors from the community.

An open letter from Mountain States’ CEO Alan Levine and Board Chairwoman Barbara Allen posted on the system’s website the same day as the Wellmont statement makes no direct reference to Wellmont, but affirms MSHA’s dedication to retaining local control of its operations and decry’s the effects of an outside system broaching the area.

“Studies have shown that when a larger health system acquires a smaller one, the prices demanded of insurers by the acquired hospital often increase,” the letter said. “Suffice it to say, we would need to see evidence of the cost-savings opportunity, and be able to clearly articulate it to the area’s employers and consumers before making any decision of that magnitude. We would want, and need, their support.”

Mountain States’ leadership has been mostly silent regarding their system’s role in Wellmont’s partner search, but Levine has discussed the potential for an undesired response — read a possible merger of its own — depending on the final decision and the desire to partner with East Tennessee State University to advance potential research options, both of which were covered by Monday’s speakers.

“I can’t speak to the outside partners Wellmont is considering,” ETSU President Brian Noland said. “But I can say that we are strong because we and our regional partners share the same values.”

A medical research powerhouse would be difficult to kickstart, a fact not denied by the forum’s organizers, but the size of a Wellmont-MSHA joined system would make it more likely to be successful, and the benefits to the community if it worked would be significant, they said.

Miller, who worked with both local systems for years and was once a member of Wellmont’s Board of Directors, addressed concerns regarding a monopoly of health care providers should the two merge.
“Competition is a malignancy on health care,” he said, qualifying his statement to be directed at the expensive equipment and facilities arms race that took place between the two regional systems for years. “It’s not always necessary to be bigger. Because of what’s happening here, we have the most expensive health care plans and costs to patients in Tennessee.”

Both Miller and Greene, with confirmation from an affiliated attorney in the audience, said rates could be kept low with only one system in Northeast Tennessee and Southwest Virginia with a certificate of public advantage, which, if approved by the state attorney general, would tie cost of service increases to local cost of living measures.

“I want these systems to join, to be made one system,” Miller said. “I can tell you 100 reasons to do so, but I can hardly find one why you shouldn’t.”

Although a Wellmont representative did not speak at the hour-and-a-half panel, system spokesman Jim Wozniak issued a statement to the media as the crowd filed out of the auditorium.

“We are still in a process of listening and learning, and we have reached no conclusions,” the statement read in part. “While Monday’s forum was not our event, we felt it was important to be there to listen and learn.

“Representatives of Wellmont attended and our board will study the information. We did not want to risk an atmosphere of debate at the meeting, which is why our board and management team were not in attendance. Because we have not drawn conclusions, we do not have a position to debate at this stage of the process.”

In past statements, Wellmont’s board has said it expects to have a final recommendation on the merger question by this fall.

*Follow Nathan Baker on Twitter @jcpressbaker. Like him on Facebook at facebook.com/jcpressbaker*
Johnson City Chamber supports merger of Wellmont with Mountain States Health Alliance

By: Kristen Quon
Posted: Oct 28, 2014 11:49 PM EDT

Updated: May 24, 2016 02:51 AM EDT

JOHNSON CITY, Tenn - The Johnson City Chamber of Commerce is supporting a merger between Wellmont and Mountain States.

Chamber president, Gary Mabrey says that area health care programs at Milligan, Northeast State, and ETSU could benefit from the merger.

The board of directors agreed that the merger would not constitute a monopoly if Tennessee's certificate of public advantage is used to guide the merger.

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The Last Word

Hospital merger talks: Lessons from the Watauga Association

By Jeff Keeling

Right around here, 242 years ago, a group of European settlers established a 10-year lease with the Cherokee and formed the Watauga Association. These men oversaw their own affairs in the Nolichucky and Watauga River valleys, as they had settled outside the approved realm of the British crown.

Their story won the admiration of the likes of Teddy Roosevelt, who wrote that they, “successfully solved the difficult problem of self-government.”

Now, our region’s two hospital systems share a “difficult problem.” Like their peers nationwide, they face the daunting future of health care reform and its challenges to systems’ financial viability. Wellmont Health System appears set to make the difficult choice between merging with an outside system or seeking a merger with the other local system, Mountain States Health Alliance. Backing up and punting remains an option as well.

Wellmont’s strategic process was quiet and controlled until a public campaign kicked off in mid-August, pressing for a local merger. The Journal’s extensive coverage of subsequent events, and pro-local-merger arguments, is documented at bjoiirnal.com.

If Wellmont joins with a far-off, larger, currently more profitable system than either it or Mountain States is, there will certainly be some advantages. But this is a unique area and always has been. It seems unlikely a distant system would sincerely keep our area’s best interests in mind, especially when those may conflict with the overall corporate objectives. Such a system certainly would enter a region with a different culture and different, or at least, more severe, set of health issues than that to which it is accustomed. Conversely, a local supersystem, if led boldly and regulated properly to prevent anti-competitive pricing, would have both the familiarity with and commitment to our region that could lead to the best possible long-term result both for health care specifically and the economy generally.

This is not to say that best possible result will be along the lines of what we grew accustomed to pre-health care reform. We may not like it, but what local merger advocate Bill Greene said about the near and medium-term future of hospital systems in the region is almost certainly true: There will be “blood in the creek.” Overcapacity built up in this area during the fee-for-service era. We have an unsustainable level of excess capacity in the higher-reimbursing service lines that those who pay for health care—from the government to individuals—will access on a declining basis for the foreseeable future.

We are moving to “population health management,” and that means more outpatient care. It means fewer of the “acute admissions” that helped foot the bill during the era of Wellmont-Mountain States competition when both systems expanded, took on debt and duked it out. They were seeking supremacy and market share for a “product,” health care, that doesn’t respond to market economics the way most goods and services do. The money available during the pre-reform era helped fuel everything from overbuilding and public relations campaigns to the recruitment of specialists and purchase of high-tech equipment.

Some of it was unnecessary. Some, on the other hand, gave us a level of clinical excellence and availability that enhances the area’s livability and appeal. It would be highly unfortunate if old enmities between the systems, a predetermined fear that “we can’t pull this off,” or a dogmatic—and in my opinion incorrect—insistence on “competition” prevented the leaders tasked with moving our systems forward from taking an objective, comprehensive look at a Wellmont-Mountain States merger. Cutting what needs to be cut and keeping what needs to be kept are more likely outcomes under local governance, with decisions made by people familiar with the region and its hospital system history.

Further “rightsizing” of inpatient care in the region lies ahead. The number of “discharges per 1,000” nationally averaged 109.7 in the most recent year. Those are dropping fast, as acute care inpatients are the most expensive and the money stream is drying up. By 2016, targets for “moderately managed” systems are 93, and “well-managed,” 76. This region’s latest numbers? 124.2, with a decline to 114.5 projected by 2016. That bespeaks an unhealthy population combined with overutilization. In an era of belt-tightening, that does, indeed, presage some blood in the creek.

Since August, I’ve open-mindedly sought glaring holes in the pro-local control argument and found none. I’m sure the remaining non-local merger candidate in Wellmont’s process is a financially and clinically excellent system. But I believe we have the leadership and the other necessary components right here to create the greatest long-term good for our region and its health care. If there is going to be blood in the creek, I’d rather my friends and neighbors pitch in together and see us through to the other side.
Don't sell out to Mountain States Health Alliance

Posted: Thursday, December 4, 2014 9:30 am

I am a native and citizen of Washington County, Virginia, and the Abingdon-Bristol area and find it very troublesome reading that the Bristol Wellmont Hospital cannot survive as a good local hospital. If they sell out and give in to Mountain States Health Alliance, a large conglomerate, as Johnston Memorial Hospital did, it will mean the citizens of the Bristol area lose.

Wellmont is the hospital that the majority of this area needs. If we need something else, UVa., U.T. Duke or Vandy is close by.

Someone in Sullivan County of an authority group, I read in Bristol Herald Courier, disagrees with the decision of the Wellmont board to give our hospital to an out-of-town group that will make all the decisions for us locals.

The George Ben Hospital, a wonderful, caring hospital in Abingdon no longer exists. The new hospital is a Mountain States Health Alliance unit. Part of a huge money group.

Bristol Wellmont has a Hospice House on Steele Road adjoining the hospital property, where our loved ones can get wonderful care to live out their last days on his earth. I speak from experience of this wonderful affordable place.

Before we lose all these beneficial places, we have to ask someone else who only cares for themselves and their money. Let more of our doctors and regular people speak out to those on the hospital board. Listen up now, citizens, before it is too late.

Praise our Lord and Jesus Christ, our only help.

Andy Raines

Bristol, Virginia
Respect decision

The recent activity prompted by several business groups and individuals concerning the proposed merger of Wellmont Health System and Mountain States Health Alliance obscures the fact that the respective boards must make their decisions based on an examination of probably reams of data.

Hopefully, the boards will decide to merge, as I think that will lead to less duplication of services. These boards, however, are composed of successful businessmen and women who serve at great expense of their time and without remuneration and may have a different decision based on what is right for their respective organizations.

Health care is changing rapidly. Only after a detailed analysis of all financial aspects of the different options will a decision be forthcoming.

We should all respect the time and effort these boards are expending even if their final decision is not what we would wish.

DR. TOM McGINNIS
Johnson City
UPDATE: Date for Wellmont merger decision postponed

A business decision with the potential to change the shape of one of the Tri-Cities’ largest industry sectors will not be made before the end of the year, as originally expected.

In an emailed press release Thursday morning, Wellmont Health System’s Board of Directors Chairman Roger Leonard said board members needed more time to deliberate on the merger options for the hospital system, which would likely push the official recommendation into the new year.

"This is a complex decision, and the significance to our health system and our community cannot be understated," Leonard said in the release. "With that in the forefront of our minds, we have taken a very deliberate and thoughtful approach to this work in the last year."

The decision, which the release said is both “not imminent” and “still on track,” was pushed back from the expected target at the end of the year, because the board needed additional time to review information it received and likely wouldn’t find times to meet so near the holidays.

Wellmont started its merger search a year ago, hoping to find another health system to take on its operations and create an organization with the capital and resources to weather the changes currently affecting the health care industry.

Starting with nine potential candidates, the board of directors has narrowed the field down to three, one of which is a “regional system,” according to information from Wellmont, and the other two from outside the area.

Since August, a group of local businessmen, politicians and other community leaders have been pressuring Wellmont to merge its six hospitals in Northeast Tennessee and Southwest Virginia with regional competitor Mountain States Health Alliance.

They claim the system resulting from the regional merger would be worth $1.8 billion and would employ 15,000 in Tennessee and Virginia, putting an end to more than a decade of unhealthy competition that only served to drive up local costs of care and provide unneeded duplicate services for a patient base too small to support them.

The Wellmont-MSHA powerhouse would also place the region in a good position to attract medical research dollars for Johnson City’s East Tennessee State University, according to the Save Your Hospitals marketing campaign started by the interested parties.

Several elected boards and business groups, including the Johnson City and Washington County commissions, the Washington County Economic Development Council and the Johnson City Chamber of Commerce have also weighed in on the issue, most advocating a merger between the local systems.

Although Leonard and other Wellmont executives said they are bound by confidentiality clauses barring them from revealing the names of the potential merger partners, a statement echoed by Mountain States CEO Alan Levine, it’s widely accepted that the Johnson City-based system is the regional bidder.

The others are likely larger in both number of facilities and available financial resources, which could make them more favorable in the eyes of those on the board making the final recommendation.
In October, before the board began its final analysis of the proposed mergers, Leonard said building a system with at least $3 billion in annual revenue, which the Wellmont-Mountain States grouping would not, would be preferable to the board, but he "would not call it a line in the sand."

Regardless of the board’s decision when finally made, any merger will likely affect health care and the economy in the Tri-Cities as two of the region’s largest employers adjust.

Previously reported:
A decision by a regional health care provider on a question that could have consequences for one of the largest industry sectors in the Tri-Cities will not be made before the end of the year, according to a statement from the organization's board of directors.

An emailed statement sent Thursday morning, attributed to Roger Leonard, the chairman of Wellmont Health System's Board of Directors, said deliberation would likely extend into January, instead of being announced near the end of the year, as was previously advertised by the board.

"This is a complex decision, and the significance to our health system and our community cannot be understated," Leonard said in the media release. "With that in the forefront of our minds, we have taken a very deliberate and thoughtful approach to this work in the last year."

The health system has been searching for another nonprofit with which to merge operations since last year, since the organization's governing board sent out a request for proposals.

The field of nine respondents have been narrowed to three, according to information released by Wellmont, with one of the candidates being a "regional system" and the others from outside the area.

As the board deliberated, local business and government leaders began a public opinion campaign to convince residents a merger between Wellmont and its regional competitor, Mountain States Health Alliance, was the proper course of action for those served by the systems.

Check johnsoncitypress.com later for updates on this developing story.
Region's Top 10 stories of 2014

Posted: Saturday, December 27, 2014 10:59 pm

1. Virginia Intermont shuts down

A combination of mounting bills, scant income or fundraising, declining enrollment and the loss of academic accreditation ultimately spelled the demise of Virginia Intermont College.

In the face of those challenges, trustees of the private, liberal arts college decided to cease operations following May commencement exercises. Over a period of 130 years, VI evolved from a girl’s finishing school to a teacher’s college to a liberal arts institution that produced a Pulitzer Prize-winning photographer and saw its unique equestrian program earn about 20 national championships.

VI’s long battle with finances and a lack of financial stability was at the core of years’ worth of sanctions from the Southern Association of Colleges and Schools Commission on Colleges. The commission voted to drop VI from its membership in July 2013 but a lawsuit allowed accreditation to remain in place through July 1, 2014.

A proposed merger with Webber International University — touted as a possible saving move — failed in April. The VI faculty responded that very day with a no-confidence vote in then-President E. Clorisa Phillips who remained in office to preside over commencement and resigned the following day.

Remaining VI students were allowed to transfer all credits to schools and Emory & Henry College later absorbed the VI equestrian program.

The Moore Street campus is now on the market and the school still owes substantial debt including several months of salaries due former employees.

Puckett resignation ignites firestorm

Former Virginia state Sen. Phillip Puckett’s June resignation from the Virginia General Assembly ignited a firestorm of controversy and a federal investigation.

Puckett, a Democrat, resigned just before a vote about possibly expanding the state’s Medicaid program. His departure gave Republicans control of the Senate and thwarted efforts of newly elected Democratic Gov. Terry McAuliffe to expand the program for 400,000 uninsured Virginians.

McAuliffe said he was “disappointed” with Puckett’s decision.
Puckett said he left to pave the way for his daughter to get a judgeship, as the Senate typically does not grant judgeships to family members of sitting senators. Puckett was soon accused of leaving to take a Virginia Tobacco Commission job, which then in turn found itself the subject of fiscal and ethical scrutiny. Rumors circulated that state Republicans were helping Puckett find a job for his daughter, Martha Ketron.

A federal investigation was launched, but in mid-December, the U.S. Attorney’s Office announced it would not seek federal charges regarding Puckett’s resignation.

**The Falls overcomes challenges**

Work began in late December on a Cabela’s Outfitters — anchor tenant of The Falls commercial center — while a retaining wall for Lowe’s is taking shape within view of motorists whizzing past on Interstate 81.

Both are seemingly improbable given the gauntlet of obstacles overcome this year by Bristol Virginia leaders determined to develop the embattled shopping center near Interstate 81’s Exit 5.

In the past 12 months the city convinced Gov. Terry McAuliffe and state lawmakers to amend unique legislation allowing the city to retain some sales tax revenues; won a lawsuit challenging general obligation bond borrowing; extended its payment agreement for site work; took a range of steps to market and sell revenue bonds to fund the project’s first phase; and convinced Cabela’s officials to accept less money to build its store while delaying requirements for improvements to Lee Highway.

They also finalized details of a long-sought deal to bring Lowe’s into the development.

Just before Christmas, the city closed on the sale of $33.8 million in revenue bonds and announced Cabela’s and some phase one businesses are now expected to open in late 2015.

**Triple murder shocks community**

The small community of Glade Spring was shaken to its core in February, when Kevin Palmer, 44, walked to his in-laws home and shot his wife, son and mother-in law in an act of domestic violence.

Kristin Palmer, 46, Griffin Lane Palmer, 17, and Nancy Griffin, 74, were remembered as beloved members of the Glade Spring community. Kristin Palmer was a highly respected teacher at Virginia High School in Bristol.

Terry Griffin, who was Kristin’s father and Nancy’s husband, was injured in the shooting. Palmer killed himself.

The tragedy prompted local schools and agencies to be more aware of domestic violence and how it could affect families, and take measures to prevent it.

**Rise in police-involved shootings**

While a debate over police officer-involved shootings has garnered considerable national attention, the region experienced its share of those events in 2014 as police officers shot and killed three men in three separate incidents.
In May, state and local police pursued a man from Washington County, Virginia, into Sullivan County, Tennessee. Police shot and killed Ransom McCoy along state Route 126 after he reportedly rammed a police cruiser several times. A Sullivan County grand jury subsequently cleared a Washington County, Virginia, deputy in that case.

In late June, Washington County, Virginia, deputies shot and killed Michael Huffman at his Damascus home after they said he threatened them with a gun. A special prosecutor’s report cleared police, saying Huffman refused to comply with the officer’s direction to drop the gun that he was holding in his hand.

In early July, county deputies shot and killed Dennis Morrell at his home near Bristol, Virginia, following a standoff. That same prosecutor cleared those deputies, saying Morrell was shot after he raised an automatic pistol in the direction of a deputy. The shooting followed attempts by police to communicate with Morrell.

**The Pinnacle begins generating impact**

Retail sales figures in Bristol, Tennessee, jumped sharply in the third quarter of 2014, largely on the strength of Bass Pro Shops, which opened its 105,000-square-foot store in The Pinnacle center in late August. Bass Pro is the first store to open in the massive retail complex taking shape near Interstate 81’s Exit 74.

Developer Steve Johnson calls Bass Pro the “tip of the iceberg” for the planned 1 million square-foot development that straddles the Tennessee-Virginia state line.

Another 20 businesses representing 450,000 square feet and a potential $300 million in sales are scheduled to open in 2015, including a 132,000-square-foot Belk store and a 12-screen cinema complex.

**Coal continues to decline**

The coal industry continues to deteriorate, as the international metallurgical coal market declines. Layoffs impacting around 700 people have been announced this year in Southwest Virginia.

Most recently, SunCoke Energy announced the layoff of 175 miners in Buchanan County.

That’s in addition to more than 200 people laid off by Arch Coal, 121 workers laid off from an Alpha Natural Resources mine in Haysi, and 188 people laid off by CONSOL Energy in Buchanan County.

Companies blame the metallurgical coal market, continued interest in natural gas as a heat source and more stringent federal environmental regulations. Some, like SunCoke, are pulling out of coal production altogether.

Meanwhile Republican Virginia lawmakers continued to pressure the federal Environmental Protection Agency to back off regulations they say amount to a “war on coal.”

**Wellmont works on possible merger**

For the past year, officials of Wellmont Health System have been working toward a possible merger with another health care entity. The partner was originally expected to be selected by year’s end but any decision will now likely come in 2015.
Wellmont announced in January it would consider merging as a way to gain financial strength in a rapidly evolving health care landscape. The subsequent revelation of three unnamed finalists — two from outside the region and one inside the region — was met with a hue and cry from many area government and business leaders, urging Wellmont to merge with Mountain States Health Alliance, the region’s other provider.

The organization, which employs about 6,400, also underwent a management shakeup. Former CEO Denny DeNarvaez resigned abruptly in September and was replaced by former Bristol Regional Medical Center President Bart Hove. Former Chief Operating Officer Tracey Moffatt resigned weeks later and was replaced by former Wellmont employee Eric Deaton.

**BCM Museum finally opens**

The museum honoring Bristol’s role in the growth of country music opened in August, nearly 10 years after the concept was formally announced.

The Birthplace of Country Music Museum, an $11 million interactive showplace, chronicles the worldwide impact of the 1927 Bristol Sessions recordings, acknowledged as the “big bang” of commercial country music. Its creation was the culmination of a decade of planning, fundraising and design.

Dignitaries including Virginia Gov. Terry McAuliffe and Tennessee Lt. Gov. Ron Ramsey praised the project and lauded its potential impact on tourism and economic development. The museum and the Twin City’s live music scene have generated extensive national and international publicity.

Organizers also threw a grand opening party featuring Carter family descendants Carlene Carter and Dale Jett along with acoustic music legend Ralph Stanley.

**Medical school plan transformed**

A proposed regional medical school project once lauded as “transformational” to the region’s economy underwent a nearly total transformation of its own in 2014.

What started the year as the King School of Medicine — a proposed allopathic medical school — is now called the Alliance for Rural Health. It is planned as an entity to facilitate physician education, clinical care and workforce development.

Plans call for building a $23 million facility in Abingdon, although Washington County, Virginia, leaders withdrew support for the project in January.

The former King School of Medicine went a few rounds with the Virginia Tobacco Indemnification and Community Revitalization Commission as medical school leaders sought to retain promised funding from the commission. However, the overall amount was reduced by $5 million in May, to a now-pledged $20 million total.

In November, alliance leaders submitted a lengthy report to the commission outlining the project’s new direction, and will speak before it in January.
Though 2014 offered no shortage of changes, events and stories for Northeast Tennessee residents, the most important story may be one that makes its way into 2015.

With thousands of local, well-paying jobs and millions of dollars in the balance, regional care provider Wellmont Health System spent the year searching for a larger system with which to merge.

Hoping to offset the results of nationwide changes to hospitals’ pay structures, Wellmont’s board chairman, Roger Leonard, expressed a preference to create a system worth $3 to $5 billion with the merger to ensure financial strength, but a coalition of business leaders and local politicians openly advocated a merger between Wellmont and its direct competitor, Mountain States Health Alliance. The partnership wouldn’t reach $2 billion in annual revenues, but advocates, which included most elected boards in the Tri-Cities, several business groups and an economic development board, said the potential to retain local control and begin a research-geared powerhouse with local colleges could make or break the deal. After teasing an announcement near the end of the year, the Wellmont board pushed the reveal date into January at the earliest.

Health care providers weren’t the only entities searching for a way to combat financial woes.

Both the Washington County and Johnson City school districts at first presented budget deficits to their governing bodies, $3.4 million for the city and $3.5 million for the county, and the officials spent months horse trading and whittling away at the final budget figures, at times engaging in a war of rhetoric.

From City Commissioner Clayton Stout’s “feeding an animal” jab to Board of Education Member Richard Manahan’s accusations of political posturing lobbed at certain commissioners, students, teachers and parents felt stuck in the middle. When word got out of a proposal to axe the supplements paid to the district’s coaches — among other cuts to textbook and mental health programming funding — a board room packed with opposition greeted the education officials. The city eventually worked out a deal to provide one-time funding to help bridge the gap, a measure taken a few months later by the county, but most involved know the issue will likely emerge again in the coming year.

In another revenue-generating move, the Washington County school district filed suit in the spring against both the Town of Jonesborough and Johnson City seeking millions in collected taxes from sales of liquor by the drink. The action was similar to a handful of similar lawsuits taken by other counties in the state this year, which claim funds were not distributed for education according to state statute. Jonesborough admitted it owed money to the schools and approved a settlement of slightly more than $30,000, although the district claimed $55,000 was owed. Johnson City’s attorney, Eric Herrin, in court filings argued the school district did not possess the authority to sue for unpaid taxes. The school district’s attorney, James Logan, insists that state attorney general opinions prove that the district does have that ability, and said in September he expects the suits to be resolved by March.

The school system’s lawsuit was not the only legal action brought against Johnson City in 2014. Legal and procedural challenges to North Carolina-based Evolve Development’s plans for Johnson City’s Model Mill site kept the demolition and construction project in limbo for most of the year. Originally set for approval in late 2013, the addition of the neighboring Mize Farm & Garden Supply property — and a fifth building — to the planning documents pushed City Commission hearings for rezoning the properties and a Board of Zoning Appeals variance request into 2014. At those hearings, residents of the Tree Streets neighborhood and business owners along West Walnut Street voiced their concerns with the traffic, noise and general nuisance they believed the 216 units of multi-family residential housing would present. Both the rezoning and the variance were approved, but those in opposition to the moves got the chance to be heard...
all over again when missteps were discovered in the advertising process for the hearings, and both boards held do-overs.

After the second round of approvals in the spring, two lawsuits arrested forward progress on the $18.5 million complex, challenging the zoning variance and the perceived future nuisance. Both were dismissed by Circuit Court Judge Thomas Seeley for lacking standing, leaving Evolve and the mill property’s owner, the Johnson City Chamber of Commerce, free to move forward.

While some areas of downtown development were contested by members of the public, others seemed to be embraced.

An injection of investment helped restart the beating heart of Johnson City, as a number of retail and residential projects came to fruition in the downtown core in 2014.

The year started with the opening of 26 living units in the Urban Redevelopment Alliance’s Paxton Place at the intersection of South Roan Street and State of Franklin Road, where the three-story apartment building took the place of a row of vacant buildings. Other projects, including two rows of condos built by Todd Carter at Cherry and South Roan streets and London’s Lofts, 20 apartments in a rehabbed hardware store building, followed suit, bringing the stock of downtown dwelling units to more than 250. The ground floor of London’s Lofts will also bring national retailer Trek Bicycle in the coming year when the company installs its second concept store in the state.

The city also secured a bid for the new farmers market/event facility which should open in about 10 months. The facility will be located at the east end of Founders Park on Wilson Avenue. A nearly 20,000-square-foot structure is planned.

The two existing turn-of-the-century railroad depots also received attention this year from rehabilitators. The first occurred when the long-awaited Tupelo Honey Cafe opened in June in the 104-year-old CC & O Depot, and then, in December, when crews began cleaning up its older sister, the ET & WNC (Tweetsie) station across the street. Both projects, initiated by Knoxville real estate investor Joe Baker, are expected to give the downtown area a shot in the arm economically. Although not much has been announced for the 123-year-old Tweetsie depot, signs point to a new craft brewery and restaurant taking up residence there.

While the Tweetsie depot’s future remains in question, another Tweetsie project reached fruition. On August 30, the Tweetsie Trail official opened, connecting Johnson City and Elizabethton by way of a 10-mile recreational trail on what used to be a portion of the East Tennessee and Western North Carolina railroad. The opening was not without some controversy, however. Members of the public decried the Tweetsie Trail Task Force’s decision to forbid horses from entering and walking along the trail, which was made after task force members expressed and heard safety concerns. Some horse owners claimed they donated money for the trail’s construction while under the impression they would be.

Even without horses, the trail was not without its share of problems.

Though the two city governments hope to extend the trail through Elizabethton, a portion of the former railroad runs through property owned by Michael Barnett, proprietor of Big John’s Closeouts. Despite some initial misgivings, Barnett and city officials both expressed optimism that a satisfactory solution could be reached and that the trail could be extended.

Johnson City made measurable and visible progress on its flood mitigation plan in 2014 with the completion of several stormwater improvements, as well as a floodplain buyout plan which offers residents cash for their continually soggy properties. Completion of Founders Park not only eased Brush Creek’s overflow and downtown flooding, it also provided citizens with a new outdoor refuge. Two key projects will be tying into the park in the near future. The first, a flood mitigation project meant to open up yet another section of Brush
Creek at the former Kelly’s Foods site at Sevier Street and West State of Franklin Road. Additionally, the city gained the deed to the downtown U-Haul, which was purchased to make way for a major retention pond.

In addition to combating stormwater woes, the city was also able to begin construction on a new facility geared toward reducing the area’s animal mortality rate.

After years of planning and locating funds — much of which were donated by private citizens — ground broke on the new shelter’s construction site at 3411 N. Roan St. on June 6. The new shelter design boasts a larger layout that includes 148 dog kennels and 180 cat condos in the interest of lowering animal euthanasia rates. The new shelter is expected to be completed in February of 2015.

During the construction process, however, there was some discussion over whether the animal shelter’s staff should retain operational control over the shelter. Members of the Humane Society of Washington County suggested that their organization may be better suited to overseeing the shelter’s day-to-day operations, citing displeasure over matters pertaining to the staff’s treatment of customers and handling of other affairs. After several months, however, the Humane Society withdrew its interest in operating the new shelter, instead opting to focus on cooperative efforts between themselves and shelter staff.

While the issue over control of the animal shelter appeared to resolve itself, a state decision over the legal procedure for annexing property created a divide among lawmakers in early 2014.

A statewide ban on “forced” municipal annexation went into effect in 2014 — an issue with deep roots in Gray and other parts of Washington County. The steps in front of Johnson City’s Municipal & Safety Building hosted fervent protests against the city’s legal annexation of land adjacent to its Urban Growth Boundary, previously approved by the county and set into state law. Many in Washington County have not stopped applauding that legislation, but not everyone is feeling liberated and the potential financial consequences are many.

The county relies heavily on Johnson City tax revenues, but it needs to build schools. The question now is whether to build in the unincorporated areas of the county and rely solely on county funds to foot the bill and provide services. A list of all water and sewer projects in the planning stages or under consideration that are outside municipal borders has been compiled, and the City Commission is considering “de-annexing” to consolidate its services.

The divisive nature of the state’s decision on annexation would serve as a talking point for candidates for state office in the Aug. 8 primary and Nov. 4 general elections. The campaign for the Tennessee House District 7 seat — in which incumbent Republican Matthew Hill bested fellow Republican Phil Carriger and independent Todd Franklin — was unusually heated. Hill wasted no time and money on targeting Carriger for his positions on annexation and gun laws, and the retort from Carriger came with as much vigor. Johnson City Vice Mayor Clayton Stout also lost to incumbent Micah Van Huss, R-6th.

Locally, the 2014 election season was one in which Washington County voters ousted half of the county’s 25 commissioners, removing a voting bloc that had held a considerable check on County Mayor Dan Eldridge during his first term. Eldridge beat Mike Rutherford for a second term. After besting challenger Jerome Cochran in the May primary, District Attorney General Tony Clark also won re-election with a win over independent challenger Dan Smith in the Aug. 8 general election.

The closest margins-of-victory, however, came during two sheriff’s elections in Washington and Carter counties. Washington County Sheriff Ed Graybeal beat out Jonesborough Operations Manager Craig Ford, his only challenger, in the 2014 Republican primary by 12 votes. Graybeal received 6,377 votes to Ford’s 6,365. Because the vote was so close, there was speculation that Ford would ask for a recount, but he chose to let the numbers stand and not seek a review of the votes.
While one incumbent sheriff saw victory, Chris Mathes was denied a third term in Carter County when he was defeated in the May 6 Republican primary by retired Tennessee Highway Patrol officer Dexter Lunceford. The race was decided by 68 votes, with Lunceford receiving 4,767 votes and Mathes 4,699 votes. The vote was so close that Mathes decided to mount a write-in campaign in the Aug. 8 general election. Lunceford captured 54 percent of the vote in the rematch, obtaining 6,994 votes to 5,416 write-in votes for Mathes.

While voters were torn for local law enforcement, it was less so for proposed changes to state and local amendments. By a wide margin, voters supported two Johnson City charter amendments, one of which moved the municipal election to coincide with the November general election, while the other permitted the City Commission to appoint an interim commissioner when there is a vacancy.

In addition to local amendments, voters also approved a statewide change regarding alcohol sales. After suffering loss after loss in previous years, proponents of wine sales in food stores won several victories in 2014, leading to expanded sales in dozens of Tennessee municipalities. Defeated in committee last year in the state’s General Assembly, a push from the state government’s leadership vaulted the wine in grocery stores bills to approval in the first months of the year, first passing 23-8 in the Senate, then 71-15 in the House.

But while authorizing package stores to begin selling an expanded list of alcohol related items in July, food stores, which include supermarkets, but also some convenience and discount stores, still faced petitioning and referendum requirements set up by the statute. Locally, stores in Jonesborough, Johnson City, Elizabethton, Kingsport and Bristol all collected enough signatures to trigger referendums, and all referendums passed soundly. If the enacted law holds true, supermarkets and other food stores may begin selling wine in July 2016, although some legislators have hinted at the possibility of moving that deadline up.

While the 2014 elections resulted in the shifting of policy and policy-makers, another public figure chose to leave office on his own terms.

Ed Alexander capped a nearly four-decade career with the Elizabethton City School System by announcing his retirement as superintendent, to take effect on Jan. 5. Alexander served as teacher and then principal at Elizabethton High School.

After becoming superintendent eight years ago, Alexander became involved in a campaign to pass a referendum to increase the local option sales tax by a half-cent, with the proceeds dedicated to school capital projects. That made funds available for classroom expansions, the additions of new gymnasiums at several schools and has culminated with the start of construction on the Citizens Bank Football Stadium at EHS.

Under Alexander’s leadership, the schools also had high academic and extracurricular achievements, which led to the system being named an exemplary school district by the state Department of Education. In mid-December, the Elizabethton Board of Education voted Special Education Supervisor Corey Gardenhour to serve as interim director after Alexander’s retirement.

Though Alexander’s departure was notable, one of the region’s most-followed school stories came after a football game. A brawl between players of rivals David Crockett and Daniel Boone High schools resulted in sanctions from an athletic authority and national media attention, as well.

After the fracas, which took place at the conclusion of an autumn game known as the Musket Bowl, the administrators of the rival high schools joined together to lobby for a diminished punishment. The original sanctions handed down by the Tennessee Secondary Schools Athletics Association, a three-year post-season ban and $4,750 for each school, was too harsh, they argued. School district Director Ron Dykes said the punishment from the sanctioning body was made hastily after a national news network aired video footage of the fight involving 20 students, and should have allowed more time for the schools to investigate the incident and punish students themselves.
Upon an appeal in Murfreesboro the following month, the TSSAA review board reduced the post-season ban by a year, making the teams eligible to next make the 2016 playoffs, but Crockett athletic director Josh Kite said the exclusion next year may have hurt the school’s best chances for a championship bid in years.

In addition to fights between high school students, 2014, as with any other year, also saw its share of violent crime that, at times, resulted in people’s deaths.

In Johnson City a shooting outside a Johnson City bar on March 23 claimed the life of a Bristol, Va., man.

Jamarcus Jackson, 24, Johnson City, was arrested after the shooting and charged with second-degree murder, attempted second-degree murder, aggravated assault, reckless endangerment, unlawful possession of a firearm by a convicted felon, simple possession of marijuana and possession of stolen property, which was the gun.

Jackson is accused of killing DeShaun Greer, 24, attempting to kill Greer’s brother, Jamison Greer, 20, and injuring bystanders Zachary Breedlove, 23, and Jonathan McInturff, 27. It happened in the Cherry Street parking lot around 3 a.m. March 23 as the men, along with a horde of others, were leaving the Battery, which is now known as Old South, at 601 Spring St. Earlier in the evening there was an altercation between Jackson and DeShaun Greer, as well as one between Jackson and Jamison Greer, according to testimony during a preliminary hearing.

DeShaun Greer would not be the only man who would die from gunfire this year.

Moses Alfonso “Lucky” Ballard, 29, of Johnson City was serving a 15-year probation sentence July 4 when Johnson City police said he gunned down 30-year-old Michael Alexis Lee “Tito” Rowe, also of Johnson City, early that Friday morning on East Myrtle Avenue after the two argued. Testimony at a preliminary hearing also indicated that, after leaving because of the argument, Ballard returned as Rowe and Tonya Hartley were sitting in Rowe’s car, which was parked in front of the residence. Hartley would also be arrested in connection to the incident on a charge of aggravated assault for allegedly shooting Ballard in the buttocks, and possession of a handgun by a convicted felon.

Ballard’s 15 years of probation stemmed from a Feb. 2011 shooting in a downtown bar parking lot.

While the trials for Ballard and Jackson continue, a grand jury declined to indict a Gray man who told police he shot and killed another man who held a gun to his head and threatened to kill him. Murder charges against Coty Tristan Bishop, 19, 328 Littleton Road, Gray, in connection to the May 15 shooting that killed Casey Jones, 22, 608 N. Barton St. were dismissed after a grand jury elected to not indict him.

The shooting happened inside a vehicle parked outside the Johnson Inn on West Market Street. Bishop, Jones and Bishop’s sister, Kasey Bishop, were sitting inside a Ford minivan in the motel parking lot around 6 p.m. after a previously arranged meeting, reportedly for a drug transaction. Coty Bishop told police after his arrest that he shot Jones after Jones put a gun to his head and threatened to “blow his brains out.” Police testified Coty Bishop told them he had brought a gun to the meet, however, and, after Jones put the gun to his head, he raised weapon, turned to the left, pointed the gun over his left shoulder and fired one shot, striking Jones in the head.

After the shooting, Bishop told police, he left the hotel on foot, emptied the gun’s remaining shells into a Dumpster and discarded the weapon in a wooded area. The gun was never recovered, resulting in a tampering with evidence charge.

Johnson City was not the only area to see high-profile slayings.

On the morning of July 4 in Roan Mountain, Carter County sheriff’s deputies found the body of Danny Vance, 56, dead near his front porch at 690 Heaton Creek Road. Then-Sheriff Chris Mathes said evidence suggested
Vance died after he was bludgeoned multiple times with a large rock. During a press conference, Mathes said the investigation led to the arrest of two teenagers — Anthony Joseph Lacy, 18, of Roan Mountain and Demetrice Dontrail Cordell, 19, of Kingsport — who were involved in a sort of “crime spree” leading up to and after Vance’s death.

Both Lacy and Cordell were charged with murder and theft charges for the alleged roles in Vance’s death. Although the trials for those accused in Vance’s death have yet to begin, another accused Roan Mountain man pled guilty to his role in another murder that captured media attention.

Jonathan Scott Shell, 24, pleaded guilty to second-degree murder on Dec. 12 for his role in the June 26, 2012, slayings of his father, Glenn Shell, 54, and Joyce Brock. Jonathan Shell testified he and two other men went to his father’s residence to purchase marijuana and an argument began, which culminated with the shooting.

Though human beings can, at times, cause their share of mayhem, there are other times when nature takes a turn.

This was evidenced on July 27 when two EF-1 tornadoes, with wind speeds estimated between 100 and 110 mph, touched down in the Colonial Heights and Gray areas of Sullivan and Washington counties.

The tornadoes and subsequent storms knocked power out of around 4,000 homes in those areas and caused more than $1.2 million in property damage in Washington County alone. Despite the damage, however, no injuries were reported in the event.

While some destruction is unplanned, others — like the demolition of a bridge — can be more controlled.

After spending more than five years in the planning stages, in February, the Tennessee Department of Transportation began construction at the Tenn. Highway 75/Interstate 26 interchange, located at Exit 13 along the interstate, with the goal of reducing high levels of traffic congestion by expanding the size of the Bobby Hicks Highway bridge that spans the interstate. Though the construction involved modifying and expanding on- and off-ramps at the exit, the highlight may have been the demolition of the bridge, which took place on Nov. 8.

The project has a projected completion date of Sept. 21, 2015.
Wellmont Health System

This was the most-debated of the Impact Awards of 2015.

One on hand, it could be argued that after Wellmont announced Jan. 9, 2014 that it would seek a merger partner, nothing happened. There has been no merger, and in the end there may be no merger. On the surface, nothing has changed.

On the other hand, it could be argued that if you scratch the surface, virtually nothing has remained the same. Of course it’s hard to imagine that when two of the top five employers in the region talk merger (Mountain States Health Alliance is long-rumored to be one of the merger prospects for Wellmont), things keep to the status quo, regardless of the outcome.

Internally, Wellmont itself has certainly changed. During the early stages of the process, it was rumored that a firm from St. Louis (DeNarvaez came to Wellmont from St. Louis) was the leading merger candidate. However in the fall, things changed quickly. DeNarvaez suddenly departed Wellmont Sept. 10. Wellmont announced Oct. 17 there would be a quiet period, during which little to no news should be expected, then issued a statement Nov. 10 saying that one of the three finalists was no longer in consideration.

Externally, while the business community was clearly interested in Wellmont’s future from the start, the intensity with which it has expressed that interest has grown remarkably (See also Bill Greene, Impact Awards) over the course of the year. An August meeting in Kingsport, where Wellmont is headquartered, saw several business leaders speak in favor of a Mountain States/Wellmont merger. That public opinion tide has been rising since, with East Tennessee State University being brought into the mix to discuss what a single hospital chain could do in collaboration with ETSU.

At this point, Wellmont’s latest statement is that no decision will be announced until possibly February. Regardless of what that decision may be — a merger with Mountain States, a merger with an out-of-market partner, or no merger at all this year — the number of man-hours put into influencing the Wellmont board’s decision by many of the most important and influential businesspeople in the region makes Wellmont’s last 12 months one of the most impactful stories of the year.

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Academics, health care both impacted by Greene in 2014

Longtime area banking executive Bill Greene wasn't finished making an impact on the regional economy when he pledged $5 million to help Milligan College establish a college of business and technology.

Several months after the late April announcement, Greene took the point on an unexpected campaign, the results of which could affect the regional economy for years to come. Wellmont Health System's board of directors had begun a "strategic options process" in January that appeared destined to result in a merger with another system. On Aug. 18 in Kingsport, with many of the region's economic heavyweights in attendance, Greene and several others made the initial public pitch for a local merger between Wellmont and Mountain States Health Alliance. Barring that, they said, a standalone Wellmont was better than one controlled from the outside.

That evening and since, Greene has touted the potential benefits of a large regional system and a retention of local governance over health care. With others, he has covered the issue from the legal (primarily antitrust) and organizational perspectives, and suggested the strongest possible course for the future would include East Tennessee State University as part of an "academic health system."

In addition to the public and behind-the-scenes work, much of it by Greene, the intervening months have included several changes at Wellmont. One was the Sept. 10 departure of CEO Denny DeNarvaez, whom Greene believed had been an advocate for selling to an outside entity. Others included the reduction of merger contenders from three to two (including a "regional system," presumably Mountain States) announced Nov. 10, and the Dec. 11 news that the strategic process was likely to extend into 2015 before any definitive announcement.

Of the pending establishment of Milligan's William B. Greene School of Business and Technology, Greene said the college's sound financial management and its commitment to Christian principles were key factors in his gift. "The business community certainly needs an improved reputation ethically and morally," Greene said after the donation announcement. "Milligan is producing students that have great foundations and fundamentals, both morally and ethically."
Hove: Wellmont decision likely soon

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Thursday, January 1, 2015 11:32 pm

Wellmont Health System officials will likely decide on a potential merger in coming weeks, interim CEO Bart Hove said.

The regional health care system’s board of directors spent the past year examining the pros and cons of combining with another health care system. A search was whittled down to three finalists and then reduced to two. The board’s original timetable called for reaching a decision by December 2014, but it issued a subsequent statement saying the process would conclude sometime in 2015.

“We’re looking forward to some exciting times of them wrapping up their strategic options process and us being able to act on whatever recommendation comes out of those meetings,” Hove said Wednesday. “I think they are anxious to conclude the process and turn the management team loose on whatever the recommendation is.”

He said there is no deadline.

“We don’t really have a timetable but I would expect within January or February they would get to the point of having a recommendation and turning it over to management to execute,” Hove said. “Beyond that, it takes time to assimilate information and work through the process.”

That process has generated significant public discussion and calls by some area government and civic leaders for the Wellmont board to be more transparent about the process. It also has generated a lot of speculation about who the merger partners might be and what might occur in the event of a merger.

Wellmont is one of the region’s largest employers, employing about 6,400 people. It operates Bristol Regional Medical Center, Holston Valley Medical Center in Kingsport and a number of other hospitals and health care facilities in the region.

Hove declined to comment on a question regarding speculation that one of the two remaining firms was no longer under consideration.

Hove has been at the helm since September, replacing former CEO Denny DeNarvaez who resigned abruptly. He said Wellmont employees haven’t gotten too caught up in the process.

“We have an exceptionally dedicated group of individuals who are extremely focused on their primary mission, which is providing superior care with compassion to their patients,” Hove said. “No doubt through the process they have been able to maintain a focus and continue to achieve excellent quality results for our
health system. We feel very comfortable of their ability to do that in spite of what one might think is
distraction.”

Hove also said that health care across the country is undergoing a substantial transition.

“There are many external distractions and challenges as health care modifies itself and takes the form of a
new delivery approach, as compared to the strategic options process we’ve been going through and some of
the management changes,” Hove said. “I have to commend the leadership group and management team, as
the individuals taking care of our patients have maintained their focus. I think they’ve done a tremendous
job.”

Greg Neal, president of Bristol Regional Medical Center, said employees at that facility continue to focus on
the patients.

“While certainly this is an issue folks are anxious to see the strategic direction we’re going to take, it’s the
everyday commitment to professionalism and compassion that drives them and caring for patients. It’s not
been the distraction some may think,” Neal said. “We’re grateful, frankly, for the board taking a strategic
view and trying to position us to be successful and have all the tools and resources we need to thrive for
years to come.”
Wellmont merger must be based on quality, not competition

G. Aubrey Lee

The Wellmont Health System merger decision, which was slated to happen before the new year, has been postponed.

Wellmont Board of Directors Chairman Roger Leonard said in a news release before Christmas that the board needed more time to review what he described as a “complex decision…with significance to our community that cannot be understated.”

Leonard is absolutely correct. The impact of this decision on our region’s health care will be tantamount to the formation of the region’s two major health systems in the 1990s.

This ultimately resulted in all hospitals and numerous other health care facilities in this region being owned by Wellmont or Mountain States Health Alliance.

These acquisitions were driven primarily by health care legislation enacted in the 1980s that precipitated an unprecedented restructuring of health care funding across the nation.

It imposed new requirements on Medicare and Medicaid and dramatically impacted the way hospitals and other health care providers were reimbursed by substantially reducing reimbursements.

Private insurance companies also adopted plans that set reduced reimbursements to providers and limited patient choice.

Many small hospitals with a limited portfolio of services didn’t survive within the new reimbursement system. One out of 10 U.S. hospitals closed, many in rural communities.

Locally, the 15 smaller hospitals now in the Wellmont or Mountain States systems likely wouldn’t have survived as free-standing entities.

These new reimbursement schemes ushered in a flurry of competition never seen in the U.S. health care system. Some contend this competition has been unhealthy and created duplicate services that have not helped hold down health care costs in the region.

Others believe that competition is beneficial and allows patients to have a choice when seeking care. But health care is not like other goods or services.

The cost of services is not transparent, so it is virtually impossible to price-shop for health care. It is highly regulated and everyone, sooner or later needs health care, even if they can’t pay or have no insurance.

Many health care providers, particularly hospitals, must provide care regardless of their ability to pay. You can’t be turned away at the emergency room.

Wellmont officials have narrowed the field to three candidates. One is a “regional system,” presumably Mountain States.

The others are from outside the region. Many local organizations including chambers of commerce, economic development organizations, and individual community leaders have voiced strong support for a merger with Mountain States.

Maintaining local control, eliminating wasteful duplication of services, and the advantage of having one health care system that could partner with the region’s rich health care career education resources are cited as reasons.

Some close to the Wellmont community doubt that a Mountain States merger is feasible, citing the heavy debt load currently carried by Mountain States, and believe a merger with an outside entity is likely.

This is supported in a statement issued in October by Leonard that implied a certain level of revenue was optimal for a successful merger.
He said that creating a system with $3 billion in revenue (which a Mountain States merger would not) “was preferable” but not a “line in the sand.”

The decision to merge has rightly been driven by the need to maintain the financial viability of Wellmont.

But injecting an outside-owned network into the health care mix in the region is likely not the answer.

Harvard Professor Michael Porter offers a different perspective on the unhealthy competitive environment now prevalent health care.

Zero-sum competition, with winners and losers, like war or athletic competition, misses the mark for patients and other stakeholders in the health care system.

Zero-sum competition is seen in the strategies employed at all levels of health care in recent decades including: Competition to shift costs to patients with higher deductibles and co-pays; competition to increase bargaining power seen in the battles to acquire more hospitals or physician practices; competition to acquire more patients by restricting choices through health care plans that limit patients’ ability to choose where they go for care and the type of care they receive; and competition by creating duplicate services, often increasing costs with underutilized equipment, facilities, and staff.

Porter proposes alternative strategies based on value-based competition—competition that strives to create value for patients and all health care stakeholders including the following:

› A focus on creating value for patients, not just lowering costs.
› Competition based on results, not fee for services.
› Competition addressing medical conditions over the full cycle of care. › High quality care should be less costly.
› Care should be value-driven by provider experience, scale, and learning at the medical condition level.
› Regional and national and competition, not just local.
› Results information on patient care results made widely available.
› Systems to provide strong rewards to medical innovations that create value.

Porter also contends that the pursuit of quality will lower costs and create value for all which, if pursued, will give providers a competitive advantage.

Health care professionals reading this will say “we are doing much of this” or “much of this is out of our control.”

All true, so cooperative strategies must be adopted throughout the health care value chain, not just those providing patient care.

Medical equipment suppliers, drug companies, insurance companies, health care executives, patients, and perhaps most importantly, policy makers must understand that the pursuit of quality is the only way to fix our ailing, unsustainable health care system.

But those at the local level, those delivering and administering health care, if totally committed to driving value through quality, have the ability to positively impact health care more than anyone.

A merger with an outside entity, while financially attractive, would doubtlessly fall into the same competitive mindset that has existed for the last several years.

New ownership would be compelled to sustain the unhealthy competition that has prevailed between Wellmont and Mountain States.

Merging the two local systems wouldn’t be a panacea.
But local control, focusing on quality with the widespread support from the community that has been publicly demonstrated in recent months, has a better chance of providing the best, cost-effective health care for our region.

G. Aubrey Lee of Johnson City is an associate professor at the School of Business and Economics at King University, Bristol.
Coordinated competition can help reduce health care costs

I appreciate Professor G. Aubrey Lee’s thoughtful column on the Wellmont Health System’s merger decision (“Wellmont merger should be based on quality, not competition,” Jan. 16). I would not take a position on the absolute best course for Wellmont, but suggest differing insights.

The decision will be highly impactful to regional health care and deserves the patience and careful diligence of the Wellmont board.

Many community voices, including Lee have, argued that duplicate services — due to competition — are detrimental to health care cost, implying that such competition is bad. Most economists, on the other hand, would argue that, absent collusion, competition in any industry offers consumer choice while incentivizing both lower costs and higher quality. The high quality health care available locally is the inevitable beneficiary of such competition.

The paramount concern in the merger decision is the patient, concerned with the choice of ready access to affordable, high quality care. Greater quality should not require significantly higher costs.

On the other hand, evidence is scant that quality care itself reduces cost. Highly coordinated care across the full range of health services, however, can deliver remarkable improvements in both care and cost that are seldom achieved in a fragmented environment. Institutions like Geisinger and Cleveland clinic are among the national leaders and both Wellmont and Mountain States Health Alliance should be praised for their work in aligning their communities of care towards coordinated competition.

Health system mergers are common across the country and are expected to increase in coming years. Key to a merger decision with either a local or out-of-town network are the assurances negotiated regarding sensitive local issues and the track record of the acquiring organization in honoring these commitments.

WILLIAM SPOONER
Jonesborough
KINGSPORT — Eastman Chemical Co. Chairman and CEO Mark Costa is staying out of Wellmont Health System’s upcoming decision whether or not to hook up with another health care provider.

Costa, during Tuesday’s Regional Leaders Breakfast at the MeadowView Marriott, did not take a position on the situation. “We are going to very supportive of what makes sense to us, but I’m going to respect what the Wellmont and Mountain States (Health Alliance) boards’ decision rights to make the right decision,” said Costa, who is in his second year leading the Kingsport-based specialty chemical company. “I’m not going to weigh in in a public setting on the topic. From what I can tell, they are headed in the right direction and hopefully we’ll see what the (Wellmont) board decides.”

Wellmont, a not-for-profit system, has been considering an alignment decision for more than a year. The process began after consulting with national health care adviser Kaufman Hall. Wellmont cited declining federal reimbursement in Medicare and Medicaid, as well as being squeezed by commercial health insurers. Two not-for-profit health systems remain in the running to either merge or align with Wellmont, with one of those widely believed to be Mountain States Health Alliance (MSHA) based in Johnson City.

While Wellmont pondered its options during 2014, Wellmont CEO Denny DeNarvaez resigned and other members of her management team also exited.

Last fall, MSHA President and CEO Alan Levine and longtime businessman Bill Greene Jr. perpetuated the notion that if Wellmont sells out to or aligns with a large health care provider from outside the region, all local control of Wellmont’s hospitals will be gone. “We would far rather partner with Wellmont than see it go with another health system,” Levine told the Kingsport Kiwanis Club of how Mountain States feels.

Greene, chairman of BancTenn Corp., heads up a business group pushing for a Wellmont merger with Mountain States. “If we don’t get it right, once the genie is out of the bottle, we’ll never put it back in,” Greene also told Kiwanians.

When asked where Wellmont’s decision stands, spokesman Jim Wozniak said Wednesday in an email: “Wellmont Health System’s strategic options process, led by the board of directors, continues. Our process is still on track, and there is more work to do ... We are nearing a conclusion on the best future path, and we’ll share this information and next steps soon.”
Wellmont expected to explore MSHA merger

BY DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Monday, March 30, 2015 6:27 pm

Wellmont Health System officials are expected to announce a potential merger with Mountain States Health Alliance later this week.

Multiple sources, who spoke Monday on the condition of anonymity, confirmed that a tentative agreement had been reached to study and work toward a merger of the region’s two largest health care systems, pending a Tuesday night vote by Wellmont’s board of directors. A news conference is expected to occur on Thursday.

Attempts to speak with a Wellmont spokesman Monday were unsuccessful.

Kingsport Mayor Dennis Phillips, whose city has Wellmont’s corporate offices and a major hospital of each chain within its borders, was optimistic Monday about a possible merger. Last year, Phillips was a critic of a possible Wellmont merger with an outside system.

“After much delays and soul-searching, apparently the rumor mill is they’ve reached an agreement that will be beneficial to all,” Phillips said, adding that he hasn’t yet seen any documentation. “It’s going to have to go through some legal things. I hope they have made a good, positive decision that will keep the hospitals local and realize we don’t have to go to other states to get the expertise we need.”

Bristol Tennessee Mayor Lea Powers said she wanted to look into the latest rumors before speaking on the subject. Her Virginia counterpart, Catherine Brillhart, said she hadn’t heard any decision was reached but trusted health system officials to make the best decision for their future and the region’s future.

Wellmont employs about 6,400 and operates Bristol Regional Medical Center, Holston Valley Medical Center in Kingsport, four other regional hospitals and a substantial number of treatment, imaging and specialty facilities in Northeast Tennessee and Southwest Virginia.

Mountain States, headquartered in Johnson City, employs about 9,000 and operates Johnson City Medical Center, Johnston Memorial Hospital in Abingdon, 11 other regional hospitals and a number of other health care facilities.

In January 2014, Wellmont leaders announced a search for a strategic partner and began reviewing...
potential candidates. Last summer, the health system’s board announced that a field of about 10 firms had
been whittled to three finalists, including one “local” option. Originally expected to conclude by
December, Wellmont officials recently said they are continuing to study their options and expected to
announce a decision soon.

Last summer, word of a potential merger touched off a firestorm of concern among some regional
business and government leaders — including Mayor Phillips — who fretted that merging with chains
outside this region would mean surrendering local control of hospitals and health care decisions.

“The bottom line is that if Wellmont merged with an out-of-state hospital, there is no doubt the corporate
headquarters would be moved out of state. Under the scenario of Mountain States and Wellmont, at least
it will remain local and there will be lots of opportunities for Kingsport to prosper, as well as Johnson
City and Bristol,” Phillips said.

Virginia Delegate Terry Kilgore, R-Gate City, said Monday that he, too, was hearing rumors.

“I think it would be great for the area if everybody is singing off the same hymnal,” Kilgore said.

Bristol Chamber of Commerce CEO Joy Madison voiced support for the Wellmont board’s final decision.

“The Bristol Chamber believes that the Wellmont Health System board of directors was in the best
position to make a decision regarding the future of its business,” Madison wrote in an email. “They
clearly had a process they followed. We trust they made the most appropriate move for the health care for
our community.”

Wellmont, a not-for-profit system, reported 2014 earnings of $750 million. Health system officials
previously said their goal was to merge with a larger system with annual revenues of $3 billion to $5
billion, to provide long-term financial stability.

“I think it [merger] has the potential to have a very substantial effect on Kingsport, as far as the corporate
office goes. Also, there are lots of opportunities to have other things that aren’t here now,” Phillips said.
“I have confidence that an agreement can be worked out that will not be detrimental to either city
[Kingsport or Johnson City]. The impact the medical profession has on the Tri-Cities area, it’s imperative
we keep it as local as possible.”

No merger can occur until a piece of Virginia legislation is finalized. House Bill 2316 was passed by the
General Assembly, but is awaiting some amendments sought by Gov. Terry McAuliffe before he signs it
into law, chief patron Kilgore said Monday.

“This is something we [Virginia] didn’t have to even allow a merger,” Kilgore said. “This would allow
hospitals or health systems to merge, if approved by the Southwest Virginia Health Authority. We would
have to look at a lot of things — how it would affect health outcomes, consequences of one provider and
how it would affect prices.”

The bill would allow the authority board to approve a merger of “two or more hospitals for the sharing,
allocation, consolidation by merger or other combination of assets,” if the benefits outweigh
disadvantages “likely from a reduction in competition.” It would then go as a recommendation to the Virginia commissioner of health, who would monitor any agreement.

Kilgore, who also serves as the Southwest Virginia Health Authority board’s chairman, sought the legislation after being approached last year by government and business leaders who supported a Wellmont-Mountain States merger.

“This group wanted to push the hospitals together, so I took it to Secretary of Health and Human Services Secretary Bill Hazel, who said we didn’t have the mechanism for that. That it would have to go through the attorney general’s office and the health commission,” Kilgore said.

Its 25-member board also includes state lawmakers Sen. Bill Carrico, R-Galax; Will Morefield, R-North Tazewell; Fred Pelle, CEO of Wellmont’s Lonesome Pine Hospital; Mark Leonard, CEO of Norton Community Hospital and Stephen Givens, CEO of Russell County Medical Center — both operated by Mountain States.

The legislation is expected to be taken up in mid-April, when lawmakers return to Richmond.

Such a merger is already possible in Tennessee through a certificate of public advantage, assuming benefits are shown to outweigh disadvantages to public health, health care costs and other factors.
Health systems merger announcement expected Thursday; Hawkins County Memorial Hospital would be affected

By Joel Spears Managing Editor | Posted: Monday, March 30, 2015 7:42 pm

According to broadcast and online news outlets, a merger is imminent between Wellmont Health System and Mountain States Health Alliance, a move that would directly impact Hawkins County Memorial Hospital in Rogersville.

Talks have been underway since last year that Wellmont was considering a merger with another healthcare system to meet its continued goals.

Local efforts to support continued, local leadership for Wellmont have been ongoing, with support from Kingsport and Johnson City leaders.

While published accounts have stated that no official details are available from either healthcare system, a press conference is said to be scheduled on Thursday that will detail the merger.

After breaking the initial story on Monday evening, Tri-Cities NBC affiliate News 5 WCYB said East Tennessee State University (ETSU) will also play a “major role” in the merger.

For further details as they become available, visit www.therogersvillereview.com, as well as facebook.com/therogersvillereview.
Health system merger announcement expected Thursday

Posted: Mar 30, 2015 05:00 PM EDT
Updated: May 24, 2016 06:43 AM EDT

Hospital system merger: Preston Ayres at 6:00
Monday night, a WCYB News 5 Exclusive:

Preston Ayres confirmed a merger of two large health systems in our area will be announced on Thursday.

The health systems are Wellmont and Mountain States Health Alliance.

The new company will form under the leadership of current Mountain States CEO Alan Levine, with Wellmont's CEO, Bart Hove, serving as president of the company.

The company will have a 14 member board of directors.

Six members will come from existing Mountain States members, six others from Wellmont Health System, and the remaining two from the community.

The members do not have to currently sit on either board of directors.

Marvin Eichorn, currently with Mountain States, will be the new chief operating officer.

Alice Pope will serve as the chief financial officer.

The new company has not yet been named, and new board members have also not yet named.

*News 5 WCYB has reached out to both Mountain States and Wellmont asking for a comment. We'll have more details as they come in, along with reaction, tonight at 11.*

Preston Ayres also reports, ETSU will play a major role in this new organization.

He spoke with a senior level ETSU official on Monday afternoon who told him, as this new partnership moves forward, it will give ETSU the opportunity to expand its research capabilities.

This new company will become similar in size to some of the largest research hospital systems in the country.

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Wellmont, Mountain States Health Alliance expected to merge

Kingsport, Tenn.-based Wellmont Health System and Johnson City, Tenn.-based Mountain States Health Alliance are expected to announce a merger agreement Thursday, according to a WCYB report.

Mountain States CEO Alan Levine will serve as the leader of the new company, and Wellmont CEO Bart Hove will serve as president.

Michael Eichorn, executive vice president and COO at Mountain States, will serve as the COO of the new company. Wellmont Executive Vice President and CFO Alice Pope will serve as the new company's CFO, according to the report.

The company will have 14 members on its board of directors.

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Wellmont planning to outline its future at Thursday news conference

BY DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Tuesday, March 31, 2015 4:57 pm

Wellmont Health System is expected to announce its future plans during a Thursday news conference.

On Monday, several people with knowledge of Wellmont’s plans said the not-for-profit hospital chain would likely explore a merger with rival Mountain States Health Alliance. While officials of each group declined to comment, Wellmont spokesman Jim Wozniak issued a brief statement late Tuesday saying officials were informing doctors and employees.

“Right now, we are focused on engaging with our employees and physicians about the future path we are exploring,” Wozniak wrote. “We look forward to sharing more information with media this Thursday.”

Details, including where and when the news conference will occur, are expected to be released this morning.

In January 2014, Wellmont’s board of directors and a strategic options committee began a long-term search for the best path for long-term financial strength. A list of prospective merger partners was shortened to three last summer and — since that time — a vocal group of political and business leaders has lobbied for the two regional systems to join forces.

Mountain States spokeswoman Teresa Hicks released a brief email statement Tuesday, saying “This process belongs to Wellmont and we respect their privacy. We can’t offer any comment on Wellmont’s strategic options process.”

East Tennessee State University’s Quillen College of Medicine has ongoing relationships with both systems, but university spokesman Joe Smith declined comment until, or if, any formal announcement is made.

Both systems are among the region’s largest employers. Mountain States has more than 8,500 employees and 400 employed physicians. Wellmont has about 6,400 employees, about 140 physicians and about 80 mid-level providers. About 1,600 nurses, technicians and support staff work at Bristol Regional Medical Center, while about 2,000 are employed at Holston Valley Medical Center in Kingsport.

Sullivan County Mayor Richard Venable said Tuesday that ever since Wellmont began going through the process “it’s always been a concern about health care and health care-related jobs. Those are highly skilled jobs — the kind we’ve tried to recruit and do everything we can to retain in Sullivan County. That’s a lot of employees. We’ve done a lot geared toward health-related industry in terms of training at
Kingsport and at Northeast State [College] and filling those needs.”

Combined, the two health care systems operate 19 hospitals, more than a dozen urgent care clinics and numerous other physician practices, imaging and specialized treatment centers across Southwest Virginia and Northeast Tennessee.

Wellmont, headquartered in Kingsport, was formed in 1996 by the merger of hospitals in Bristol and Kingsport. Mountain States, headquartered in Johnson City, was formed in 1998, when Johnson City Medical Center purchased six East Tennessee hospitals that were formerly part of Columbia HCA.
Reports: MSHA, Wellmont to announce merger on Thursday

KINGSPORT — Wellmont Health System is set to announce a merger with Mountain States Health Alliance on Thursday, according to broadcast reports citing no source within either system.

The long-awaited decision on Wellmont’s search for a partner, a process announced in January 2014, was originally set to be made before the end of 2014. However, Wellmont officials announced in December that the decision had been delayed.

The health care provider’s 17-member board is expected to make the final decision, which may already have occurred if the Monday reports are correct.

“We hope to announce something on strategic options in the near future,” Wellmont Media Relations Manager Jim Wozniak said via email Monday evening when asked about a Thursday announcement.

Teresa Hicks, communications manager for Johnson City-based MSHA, in a Monday night text message said she had no comment on the situation after being asked about a Thursday announcement.

The broadcast reports indicate East Tennessee State University in Johnson City would play a major role in the new organization.

ETSU would expand its research capabilities, according to the reports.

Wellmont’s flagship Holston Valley Medical Center in Kingsport and Bristol (Tenn.) Regional Medical Center are the two largest hospitals in its system, while MSHA’s flagship is Johnson City Medical Center.

MSHA also has Indian Path Medical Center in Kingsport.

In addition, both systems have hospitals and other health care operations in Northeast Tennessee and Southwest Virginia.

The reports indicated the new company would be under the leadership of MSHA Chief Executive Officer Alan Levine, while Wellmont CEO Bart Hove would serve as president of a company to have a 14-member board of directors.

A business group headed up by BancTenn Corp. Chairman Bill Greene Jr. has led a push for Wellmont to align with Mountain States to keep local control.

Wellmont has attributed the need for an alignment partner to reduced federal government reimbursement in the Medicare and Medicaid programs; less revenue from health care insurers because of high deductible plans; and fewer people using hospital beds.

Staff writer Hank Hayes contributed to this report.
Pending legislation will pave the way for Wellmont-MSHA merger

By: Callan Gray
Posted: Mar 31, 2015 09:30 PM EDT
Updated: May 24, 2016 06:48 AM EDT

Pending legislation will pave the way for Wellmont-MSHA merger
GATE CITY, Va. - A bill is under review by Virginia Governor Terry McAuliffe that would allow Mountain States Health Alliance and Wellmont Health System to come together as one company.

House bill 2316 would allow the companies to merge by allowing cooperative agreements between health groups in Southwest Virginia.

"A merger like this may be deemed anti-competitive by a state and federal anti-trust law so we want to make sure we address it," said State Delegate Terry Kilgore (R, 1st District)

The modified law now says, "A hospital may enter into proposed cooperative agreements with other hospitals in the Commonwealth if the likely benefits resulting from the proposed cooperative agreements outweigh any disadvantages attributable to a reduction in competition."

The Southwest Virginia Health Authority would have to review the benefits before recommending a merger to the State Health Commissioner. Authority members would have to look at a variety of elements such as hospital preservation and total cost of care as the result of a merger.

We asked Del. Kilgore if the health groups approached lawmakers to create the bill so the merger could occur. He didn't confirm it but said, "When we thought it might happen, some of us legislators thought we better have some framework put together so we can address that."

We also asked him if this bill was created specifically for this merger and he told us, "Well, right now it only applies to Southwest Virginia because we wanted to make sure this was the test case."

If it's successful here, Del. Kilgore said it may be adapted in other parts of the state.

There are similar laws allowing cooperative agreements in Tennessee and North Carolina.

A Certificate of Public Advantage is not required in a merger agreement between hospitals in Tennessee but it is a way for companies to protect themselves from anti-trust liability, according to the Tennessee Department of Health's Legal Counsel.

Del. Kilgore said getting this bill passed in Virginia will finally allow the MSHA-Wellmont merger.
"It could be the third or fourth biggest hospital system in the nation and that would be amazing because of some of the research you could do with that many patients," said Kilgore.

Governor McAuliffe is expected to make a decision on the bill on April 15. Wellmont and MSHA are expected to announce their merger on Thursday. We asked Kilgore how they can announce the agreement before the law is finalized.

"There's a lot of legal details [the health groups] have to go over the next three or four months so I think we're going to have time so we'll have to promulgate some regulations also," said Del. Kilgore.

The State Health Commissioner will decide what regulations need to be in place to make sure the terms of the agreement are followed.

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Wellmont plans news conference Thursday on health system's future

BY Kylie McGivern
March 31, 2015

KINGSPORT, TN (WJHL) - For the first time Wellmont Health System is officially confirming it will share information with the media Thursday about the future of the system.

Wellmont Media Relations Manager Jim Wozniak told us a press briefing is planned for Thursday. The statement comes as part of a coordinated media response effort with Mountain States Health Alliance.

"Right now, we are focused on engaging with our employees and physicians about the future path we are exploring," Wozniak said. "We look forward to sharing more information with media this Thursday. [Wednesday] morning, you will receive an invitation to a press briefing with our leadership and we hope you will be able to join us."

Just two weeks ago, Wellmont confirmed an announcement about a possible merger or alignment with another company would come in the next few weeks.

Wellmont previously confirmed it was considering aligning with a regional option and an organization from outside the region. While neither side would confirm it, there is widespread speculation that the potential regional partner is Mountain States Health Alliance. MSHA refused to release information saying it was under a non-disclosure agreement.

A representative of the Tennessee Attorney General’s Office says the office “has not received notice of a merger or an application for a (Certificate of Public Advantage).”

According to the Tennessee Attorney General’s Office, “Tennessee law requires nonprofit organizations to notify the Attorney General of certain extraordinary events, namely the merger of a nonprofit organization with a for-profit company, the sale of substantially all of a nonprofit organization's assets to a for-profit company, or the dissolution of a nonprofit organization. Effective January 1, 2015, Tennessee law requires notice to the Attorney General of these events at least 45 days prior to the close of the event. Once notice is given, the Attorney General’s Office will request information from the nonprofit organization about the transaction. Depending on the size of the transaction, the information request may be brief or extensive."

"In 2006 the Tennessee General Assembly passed the Public Benefit Hospital Sales and Conveyance Act. Under the new act, any nonprofit or community-owned hospital must provide written notice to the Attorney General 45 days before selling or transferring control of its assets. The hospital must also certify that each member of its board has been given a copy of the Public Benefit Hospital Sales and Conveyance Act of 2006. Once the Attorney General receives notice of a proposed hospital sale or transfer, the Office of the Attorney General will request additional information from both the seller and buyer concerning the transaction. In addition, within five days of receipt of notice by the Office of the Attorney General, the hospital must also publish notice of the proposed transaction in at least one local, widely read newspaper. As with other transactions involving nonprofit organizations, sales of public benefit hospitals must be fair to the nonprofit or governmental organizations involved."
BRISTOL — The state delegate who chairs the Southwest Virginia Health Authority says new legislation will create a framework that does not now exist in Virginia for regulating a potential health group merger.

Del. Terry Kilgore, R-Gate City, sponsored House Bill 2316, which will authorize the authority to review and set regulatory parameters for proposed cooperative agreements among hospitals or hospital groups.

Kilgore acknowledged Wednesday the authority already is thinking about the potential downsides if Wellmont Health System joins forces with Mountain States Health Alliance — particularly the possibility that some medical facilities would shut down.

When asked during an event in Bristol to comment on that possibility, Kilgore acknowledged that when the demographics and economics of the two systems are considered, it seems likely that one or both health systems would cease current operations at one or more hospitals.

There has been some discussion of whether at least one existing hospital in the service region could become a facility focused on mental health and behavioral services, Kilgore said. Of course, he noted, if such a scenario emerges, he would advocate for such a facility on the Virginia side of the border. Currently, a significant number of adults and youth who need inpatient treatment services must be sent to facilities many hours away across the state, he said.

**HOW IT WORKS**

The Southwest Virginia Health Authority was created in 2007 to pursue health improvements in the seven-county, one-city coalfield region. Kilgore’s new bill adding the ability to review and make recommendations on merger proposals also adds Bristol and the counties of Washington and Smyth to the authority.

Gov. Terry McAuliffe has made technical amendments to the bill. Kilgore predicted the legislature will approve the modified bill when it reconvenes April 15 to respond to the governor’s vetoes and amendments of various legislation. It will become law July 1.

If Wellmont and Mountain States announce a merger this week, the health authority still will have plenty of time once the law takes effect to review the proposal, Kilgore predicted.

Without the bill, he explained, Virginia has no regulatory mechanism to approve the merger of two major hospital groups. Tennessee does, however. Lawmakers “stole a lot from the Tennessee law,” Kilgore said.

The bill states that the authority would recommend that the state health commissioner approve a cooperative agreement if the parties demonstrate that the likely benefits outweigh the disadvantages from a reduction in competition.
The commissioner will be empowered to continuously supervise a cooperative agreement to ensure compliance. At the same time, operations within a cooperative agreement would be immune from challenge under Virginia antitrust laws.

The law requires that a cooperative agreement state goals and methods for achieving improved health, greater access to services, better quality, cost efficiency and affordable care.

Also, factors the authority will consider include “preservation of hospital facilities in geographical proximity to the communities traditionally served by those facilities to ensure access to care.” Factors will further include cost of care, extent of reduced competition, whether access to care is enhanced or diminished and more.

Authority board members who represent entities that are party to a cooperative agreement would not participate in the authority’s actions with regard to the proposal. The same goes for board members representing competitors to the parties.

Upon receipt of a proposed agreement, the authority will publish a notice in area newspapers and on its website, inviting written comments from the public. The authority and the state health commissioner will hold a public hearing within 45 days after the application. The authority must make a recommendation to the commissioner within 75 days, but could extend that period with 15 days’ notice to the parties.

The commissioner can request additional information and must consult with the state attorney general before ruling. The decision must come no more than 45 days after getting the authority’s recommendation.

Once the agreement is in place, the parties will report to the commissioner annually on progress. The commissioner can start proceedings to modify or revoke it if he or she comes to believe the parties are no longer in compliance.

SOUTHWEST VIRGINIA HEALTH AUTHORITY

• Chairman, Del. Terry Kilgore, R-Gate City.

• Jonathan Belcher, Virginia Coalfield Economic Development Authority.

• Danny Brown, Russell County.

• Edward Carlton, pharmacist, Lee County.

• Sue Cantrell, Lenowisco Health District director.

• Sen. Bill Carrico, R-Galax.

• Howard Chapman, Southwest Virginia Area Health Education Center and Graduate Medical Education Consortium.
• Mark Leonard, chief executive, Norton Community Hospital (Mountain States).

• Stephen Givens, chief executive, Russell County Medical Center (Mountain States).

• Teresa Kidd, president and chief executive, Frontier Health.

• Donna Henry, chancellor, UVa-Wise.

• Susan Mayhew, Appalachian College of Pharmacy.

• Del. Will Morefield, R-Tazewell County.

• Steve O’Quinn, Buchanan County.


• Karen Rheuban, UVa School of Medicine.

• Debbie Ward, city of Norton.

• David Sarrett, Virginia Commonwealth University Dental School.

• Dixie Tooke-Rawlins, Edward Via College of Osteopathic Medicine.

• Mark Vanover, Dickenson County.

• J. Michael Wieting, LMU Debusk College of Osteopathic Medicine.

• Melody Counts, Cumberland Plateau Health District director.

• Ron Prewitt, Wise County.

• Fred Pelle, chief executive, Lonesome Pine Hospital (Wellmont).

• Robert T. Means Jr., East Tennessee State University Quillen College of Medicine.
KINGSPORT, Tenn. — Under a banner reading “Better Together,” Wellmont Health System and Mountain States Health Alliance Thursday announced their boards have unanimously agreed to merge, creating a new, locally governed system that aims to improve the region’s health, improve individual outcomes for patients, and reduce the overall cost of healthcare.

The two systems’ chairmen and chief executive officers, along with a physician from each system and East Tennessee State University President Brian Noland, addressed the press at Meadowview Conference Center Thursday afternoon.

The announcement ended months of speculation about mergers involving the region’s health systems, but the integration process is expected to continue through the end of the year. The merger also must be approved by the states of Virginia and Tennessee.

Like other health care providers nationwide, Wellmont and Mountain States face declining reimbursements and patient volumes as well as reductions in physician residency slots.

Facing those realities, the new system is expected to put more emphasis on research and on providing more services to answer the region’s most challenging health problems — diabetes and cardiovascular disease, for example — as well as mental health and drug addiction.

“We’re creating something new” to pursue the “triple aim” of improving the region’s health and individual patients outcomes while reducing costs, said MSHA President and CEO Alan Levine.

“As we’ve talked to employers in the area, there’s a lot of enthusiasm (for the merger) because we really do believe the way to solve some of the cost drivers in the health system is to go upstream and not wait until people get sick,” Levine said, a concept that means expanding access to children as well as adults and addressing the region’s mental health and addiction problems, which, Levine said, “is difficult to do as separate systems.”

Dr. Nelson Gwaltney, a Wellmont physician, outlined a clinical vision for the new system to address the region’s disease, mental health and addiction crises. “By joining together Wellmont and Mountain States, we can create a new health system with much deeper resources that can bring new specialties much closer to home and expand access to addiction and mental health treatment. Also, we can attract new research jobs and investment to our region.”

And the systems’ officials strongly stated their intention to leave all hospitals open, although that statement was paired with the notion of expanded services.
“There are no plans to close any hospitals,” Levine said. “We want to be definitive about that. Every one of these hospitals is an important point of access (for patients) . . . When you look at some of the rural areas, if they (local hospitals) weren’t there, there would be nothing. The core to our mission is to make sure we have those access points.”

Noting that Virginia has demonstrated a “true need” for additional mental health services, Levine added that “as we look to expand and grow needed services, so there’s an opportunity to take some capacity we do have . . . and bring new services to the community. We feel very positive about sustaining communities and those facilities.”

Local hospitals, added Wellmont President and CEO Bart Hove, allow patients access in a “quick and efficient fashion.”

Word that there are no intentions to close facilities was good news to Del. Terry Kilgore, R-Gate City. Kilgore, who chairs the Southwest Virginia Health Authority, sponsored the General Assembly bill that created a framework for the merger, and he attended Thursday’s event.

“I think it will work out good for Southwest Virginia,” Kilgore said after the press conference. “We have a lot of health concerns we need to address and I think this will address some of those concerns. I was pleased to hear Alan Levine say they had no plans to close hospitals.”

And, Kilgore said, the intention to provide additional mental health and addiction resources “could be very helpful.”

In fact the merger, if finalized, could open up a rich new era of health care for Southwest Virginia and northeast Tennessee, an idea that had Kilgore smiling: “We have a blank page here to write on,” he said.

While not as definitive about what the merger means for current employees of the two systems, Levine said “this whole thing is about actually growing and thriving” and added that the goal of investing in new services and programs takes people to accomplish.

Hove said employee feedback has been upbeat. “Once we have the chance to lay out the plan, including improving access to care, the new services that might be offered, cost-effective care, helping them control their own costs — it really changes the perspective. Once you focus on obtaining a goal, everyone gets energized about where we’re trying to take the new organization.”

Levine later added: “I want to be clear about something — we’re going to make sure that we have the people it takes to take care of our community. I don’t want anybody to think that any
type of synergy between these two systems is going to come at the expense of clinical care; as to the rest, a lot of work needs to be done.”

Said MSHA board Chair Barbara Allen: “Given the combined resources and talents our mutual systems have assembled, we should be and will be among the best health systems in the nation. The beating heart of our two health systems is our people.”

Asked when Wellmont’s board decided on Mountain States, Wellmont board Chairman Roger Leonard said the “process took a little bit longer than expected,” but that “compelling reasons” for picking Mountain States became clear toward the end of 2014. “It really pivoted on getting the structure right,” Leonard said. “It’s a new organization with a new culture and a new, innovative DNA from the very outset.” Working through those structural questions took an extra three months, he said.
Mountain States plans merger with Wellmont Health

By The Associated Press

April 1, 2015 10:55 am

JOHNSON CITY, Tenn. (AP) — Mountain States Health Alliance, which has 13 hospitals in Tennessee in Virginia, says it plans to merge with Wellmont Health System.

Media report Mountain States CEO Alan Levine sent an email to employees that confirms the merger and says more details will be released on Thursday. Levine says an agreement with Johnson City, Tennessee-based Wellmont is expected to be signed on Wednesday. Levine said the merger would involve a partnership with an academic institution.

Officials in Tennessee and Virginia must approve the proposed merger before it is finalized.

The merger would create a health organization with 19 hospitals and more than 15,000 employees.

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Mountain States plans merger with Wellmont Health

April 1, 2015

by news admin

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Mountain States, Wellmont merger confirmed

Written by Kelly Gooch | April 01, 2015 | Print | Email

Johnson City, Tenn.-based Mountain States Health Alliance CEO Alan Levine has officially confirmed a planned merger agreement with Kingsport, Tenn.-based Wellmont Health System, according to a Johnson City Press report.

"While an agreement has not yet been signed, I will confirm for you that, for the past year, Wellmont has been engaged in a process of evaluating various options for their system…," Mr. Levine wrote earlier this week in an email to employees. "As our board evaluated these external challenges, and our own options, we came to the unanimous conclusion that the solutions to these problems were local. In fact, the solution was right before us. That solution, we believe, is for Wellmont and Mountain States to join together in the formation of a new system focused on not only surviving as a health delivery system, but to embrace an even bigger mission of measurably improving the overall health of our region."

In the email, Mr. Levine said the transaction will not simply be a merger of assets, but rather the creation of a health improvement organization "designed… to be among the best health systems in the nation, with a sincere focus on improving the overall health of our region — and not just providing great hospital care."

Additionally, he wrote, the merger will involve a partnership with a major academic institution, and involve enhancement in access for mental health and addiction recovery services.

Confirmation of the planned merger came after WCYB reported that Mountain States and Wellmont were expected to announce a merger agreement Thursday.

More articles on hospital transactions and valuation issues:

Robinson Health System to join University Hospitals

IU Health La Porte in exclusive partnership talks with CHS subsidiary

Healthcare M&A activity posts record-breaking totals in 2014

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To receive the latest hospital and health system business and legal news and analysis from Becker's Hospital Review, sign-up for the free Becker's Hospital Review E-weekly by clicking here.
Internal emails from executives of the region’s two health care chains provide a detailed glimpse into the merger plans that will be formally unveiled this afternoon.

Former rivals Wellmont Health System and Mountain States Health Alliance are expected to formally announce their mutual intent to enter into an equal partnership merger that would combine the region’s 19 hospitals, numerous clinics, physician practices and specialized care facilities, along with more than 15,000 nurses, technicians and other employees.

Those plans, which must still receive approval from both Tennessee and Virginia regulators, will be discussed at a 2 p.m. news conference at MeadowView Convention Center in Kingsport.

“Our board has agreed to work with Mountain States Health Alliance board to explore the creation of a new, integrated and locally governed health system,” states a Tuesday email to Wellmont employees from Wellmont board Chairman Roger Leonard and Bart Hove, the president and CEO.

“Importantly, what we are announcing is our intent to explore this new organization. Our boards have not yet signed — but are expected to this week — a term sheet,” the Tuesday memo subsequently said. “We want to emphasize that nothing has changed today in the way we deliver care or function as an organization. Wellmont and Mountain States remain separate and independent health systems for now. But this is the beginning of an exciting journey, and we are enthusiastic about what the future holds for health care in our region and for you as employees and members of our medical staff.”

If combined, the new organization would also take on a new name “to reflect the new identity of the combined organization.”

The decision to merge comes 15 months after Wellmont’s board initiated a process to identify strategic options to assure the system’s long-term financial stability. Board members reviewed proposals from a
number of health care systems before selecting an option that would assure local control.

“In this important work, our board said we were open to the possibility of aligning with another health system provided it meets key guidelines. It must be a provider of exceptional clinical care. It must be committed to our mission and values. It must be committed to physician leadership and have a track record as a great employer. It must be committed to investment in our region. It must be a good corporate citizen,” according to the message.

“These were high bars, but we believe we have met our goal in choosing to create a future with Mountain States. We already have two terrific organizations. By bringing them together, we can create a new health system that will bring our community unprecedented quality of care and value,” according to the memo.

Wellmont is governed by a 16-member board of directors and an executive team. Mountain States has a 13-member board overseeing its executive management group.

The proposed new organization would be governed by one board of directors with equal representation from both groups and one leadership team composed of current executives from both organizations, according to the memo.

Mountain States CEO Alan Levine would become executive chairman and president, while Bart Hove would be CEO. Marvin Eichorn of MSHA would become chief operating officer and Wellmont Chief Financial Officer Alice Pope would fill that role for the combined organization, according to the email.

A similar memo sent Tuesday from Levine to Mountain States employees states that the organization’s board is also weighing options.

“Given the multitude of serious challenges faced by health systems throughout the nation, this was the responsible thing for them [Wellmont], and for us, to do. As our board evaluated these external challenges, and our own options, we came to the unanimous conclusion that the solutions to these problems were local,” Levine wrote. “That solution, we believe, is for Wellmont and Mountain States to join together in the formation of a new system focused on not only surviving as a health delivery system, but to embrace an even bigger mission of measurably improving the overall health of our region,” the email states.

The Levine memo indicates that improving health is a defined, shared goal of both organizations.

“It will not simply be a merger of assets, as most hospital transactions are. It will be the creation of a health improvement organization designed, in its DNA, to be among the best health systems in the nation, with a sincere focus on improving the overall health of our region — and not just providing great hospital care,” Levine wrote. “It will involve a partnership with a major academic institution that is committed to investing in research to help solve our region’s challenges.”

Wellmont officials outlined similar goals in their memo.

“We plan to make new investments in high-level specialty services that will allow more people to receive the care they need close to home,” Leonard and Hove wrote. “We would also tackle regional issues such
as smoking, obesity and physical inactivity to prevent the adverse effect they have on people’s health. Plus we envision working with the community on a comprehensive regional health needs assessment to identify and address health gaps and disparities and create more effective models of rural health care delivery.”

He cited the region’s serious health problems — some of the nation’s highest rates of cancer, diabetes, smoking, drug abuse and poverty — as “the reason our rates of hospitalization are among the highest in the nation.”

Plans also call for enhanced access for mental health and addiction recovery services.

Levine also touched on maintaining local control.

“It [merger] will keep any synergies here at home rather than sending them off to systems based elsewhere whose priorities may be very different than ours,” Levine wrote.

“Wellmont and Mountain States have way more in common than what divides us, and frankly, our common competitor is the poor health status of our region. It is our responsibility — our mission — to make this community a healthier place for the next generation.”

In his email, Levine apologized that most employees likely learned about the potential merger through the news media and he pledged to communicate directly with employees in the future.

“As members of the Mountain States Health Alliance team, you deserve better than to hear news like that from public sources before you have heard it from us directly. And so I regret this story. Unfortunately, there are things outside our control,” Levine wrote.

Wellmont officials also apologized and pledged to hold a “week of communications” to engage employees through a series of meetings.

*Staff writer Tammy Childress contributed to this report.*
Officials: State approvals of health care chains’ merger could be quick

BY DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Wednesday, April 1, 2015 11:35 pm

State approvals for a proposed merger between Wellmont Health System and Mountain States Health Alliance could occur relatively quickly, officials said this week.

Both systems are headquartered in Tennessee, but because each operates in Southwest Virginia, they will seek separate approvals from both states.

In Virginia, the process would be based on HB 2316, which is awaiting the signature of Gov. Terry McAuliffe by mid-April. That bill would establish the mechanism for the health care systems to combine assets and is similar to an existing process in Tennessee.

Once ratified by boards of both health care systems, the merger application must be reviewed and approved by the independent Southwest Virginia Health Authority before being forwarded to the commissioner of health and state attorney general.

“It could be an exciting time for health care in Southwest Virginia and upper East Tennessee,” said state Delegate Terry Kilgore, R-Gate City, who was chief patron of the bill and serves as chairman of the health authority. “That’s why we have to make sure we follow the law and address those concerns about meeting some of those health care needs we have, especially in the coalfields. I think together, as a group, bringing Wellmont and Mountain States together, I think they can address that and put some of those energies toward meeting those needs instead of competition.”

In an email to system employees, Wellmont CEO Bart Hove and board Chairman Roger Leonard outlined the proposed process.

“After our boards have executed a term sheet and following a period of due diligence and integration analysis, we expect to sign a definitive agreement, which is the next formal step in solidifying the integration of our two systems,” according to the email. “The definitive agreement will be followed by a process to obtain Tennessee and Virginia approvals of the merger, which will likely take us through the end of 2015.”

Kilgore predicted that portion of the health authority approval process could occur quickly.

“It’s going to have to move pretty fast. I would say 60 to 90 days,” Kilgore said. “We’ve got to get a recommendation to the commissioner of health and they have to have some type of hearings, too. We have to move fast.”

The matter must also be reviewed by the office of Virginia Attorney General Mark Herring, who was in Bristol Wednesday to discuss a new coal bed methane royalty law.
“I have seen reports that there is a possibility of a merger of two hospital systems,” Herring said. “If that goes forward, they will be filing a formal application with our office. That has not happened yet, but if it does, what I’m going to do is gather as much information as I can and make sure that this merger is going to be good for the people of the southwest. That’s really what my responsibility is.

“Our office is required, anytime there are nonprofit companies like this coming together, we review it to make sure it’s in the public interest. My top responsibility is going to be making sure it’s in the best interest of the people of Southwest Virginia,” he added.

With a single health care employer, some public officials have voiced concerns about the potential impact on employees.

“There has been some mention of concerns and that’s something we have to look at, to make sure not only possible hospital closures, but the possibility of keeping those jobs,” Kilgore said. “With merging, I think there are possibilities of treating substance abuse and mental health that we don’t address now because everybody’s trying to compete. Substance abuse and mental abuse are big issues and, right now, we’re sending folks out of the region to get treatment.”

Kilgore praised the plan.

“I think it could be very beneficial to the region because bringing the two players together is going to allow us to have some opportunities we didn’t have,” Kilgore said. “I think we have a blank page and now we have the opportunity to write in how health care will be delivered and how health care should improve.”

In Tennessee, the two systems plan to jointly request a certificate of public advantage from the state Department of Health, which would then review the request to make sure it meets the standards of public good and wouldn’t create undue hardships.

“According to our legal counsel, a certificate of public advantage is not required in a merger agreement between hospitals, but is a way for companies to protect themselves from anti-trust liability,” department spokesman Bill Christian wrote in an email.

The state health department can hold a public hearing on the matter and must grant or deny the application within 90 days of the filing date, according to Tennessee law governing health facilities.

“After consultation with and agreement from the attorney general, the department shall issue a certificate of public advantage for a cooperative agreement, if it determines that the applicants have demonstrated by clear and convincing evidence that the likely benefits resulting from the agreement outweigh any disadvantages attributable to a reduction in competition that may result from the agreement,” according to the code.

The COPA process should identify whether the merger would produce one or more benefits, including enhanced hospital care, preservation of hospital facilities, gains in cost efficiency, improvements in the use of resources and avoiding duplication of hospital resources, according to the code.
It must also determine if a merger and reduced competition would produce negative impacts to doctors, employees and “the extent of any likely adverse impact on patients in the quality, availability and price of health care services.”

This process also allows the Tennessee attorney general to consult with the U.S. Department of Justice or the Federal Trade Commission.

*Staff writer Allie Gibson contributed to this report.*
A Tuesday email from Mountain States Health Alliance CEO Alan Levine to MSHA employees confirms that group's pending merger with Wellmont Health System.

Levine wrote the MSHA board unanimously agreed that its best course - in the wake of rapid changes within the health care industry - was to merge with its long-time rival.

"That solution, we believe, is for Wellmont and Mountain States to join together in the formation of a new system focused on not only surviving as a health delivery system, but to embrace an even bigger mission of measurably improving the overall health of our region," Levine wrote.

Levine wrote an agreement is expected to be signed today and outlined five pledges to MSHA's 8,500 employees.

"So today, I am sharing with you that yes, our Board and Wellmont’s Board have decided to agree on a partnership. An agreement has not yet been signed, but we anticipate that will happen in the next 24 hours. We will share much more information and more details with you between now and Thursday," Levine wrote.

He made the following pledges.

1. We will communicate directly with you
2. It will not simply be a merger of assets, as most hospital transactions are. It will be the creation of a Health Improvement Organization designed, in its DNA, to be among the best health systems in the nation, with a sincere focus on improving the overall health of our region - and not just providing great hospital care.
3. It will involve a partnership with a major Academic institution that is committed to investing in research to help solve our region's challenges.
4. It will involve enhancement in access for mental health and addiction recovery services.
5. It will keep any synergies here at home rather than sending them off to systems based elsewhere whose whose priorities may be very different than ours.

Wellmont has scheduled a 2 p.m. Thursday news conference to formally announce the merger plan,
which must still be approved by the states of Tennessee and Virginia.

Here is the full text of Levine's email.

To my Mountain States Colleagues:

Good Afternoon! First, I’d like to tell you a story. It was something I saw this weekend that was so magical and good, that I felt I needed to share it.

We have a young lady who is a patient at Johnson City Medical Center. Her diagnosis is serious and her prognosis is poor. Last week, while talking to one of her wonderful nurses, and knowing her prognosis, she said, “I’m probably going to be going home, and what I’d really like more than anything is for my Daddy to be able to take me to see Cinderella.” The new Cinderella movie is a Disney film currently playing in the movie theatres.

As a father with a daughter the same age, just seeing those words on my computer screen makes me pause. All she wanted was to be with her daddy to see a movie.

Well, our team at the Med Center got right to work. I’m told only three times in history has Disney permitted the private use of their movies while still in Theater. Our team called the right people, and within a few days, we had the movie. A room was made up to be a private salon. Miss Tennessee, Miss Jonesborough, Miss Kingsport and several other wonderful young ladies came to see our patient. Our patient was brought to the salon where she selected a gown and our staff gave her a Cinderella makeover. Her nurses were dressed like the fairy godmother, and we even had a prince charming. Our patient was brought down to the entrance of the surgery center, where a private chariot --- and her daddy, dressed as prince charming, awaited her. She did not have the strength to ride the chariot, but her parents did. From there, she was escorted by friends and family to a room with a red carpet, and her own private showing of Cinderella.

I sat there the entire movie and watched her father and mother sit by her side, holding her hand. Incidentally, her parents are hard of hearing, so the movie had subtitles. Yes, the team thought through that level of detail.

Now, I’m not going to lie….I really enjoyed the movie. But more so, I could not possibly have been more inspired by the team, and what they did for this patient. It was a gift in its truest sense, given without any strings attached. What our staff saw was a young lady who just wanted to do something special with her daddy. I can’t think of anything that better tells the story of who we are.

Normally, I’d use this story as an example of what makes Mountain States so special. And I do believe that. But, the reality is, this is not necessarily a story about how special Mountain States is. It is really a story about a culture and region…where we take care of our own. A culture where our faith is more than just going to church on Sunday. A place where many grew up together, and raise their kids together. A culture where throughout our region, we know each other, we play sports with (and against) each other. It is a culture in Northeast Tennessee and Southwest Virginia that is so special.
I was in Kingsport recently at a restaurant where I had stopped for lunch. I looked over as a man with his two boys sat at the table next to mine. Before they began eating, one of the boys led who I suppose was his brother and father in a blessing. I thought to myself that where I came from, that was not the culture. A small, quiet prayer to give thanks.

This is what unites our region. Notwithstanding what little divides us, as a region, we are all very much the same. And we are being challenged like never before by outside influences. In healthcare, we know what those are. Culturally, we know what those are.

And as always, I believe the answers to our problems are here in our region. We have the right culture and we care enough to do what must be done to serve others. Sometimes, those things are hard to do. Other times, the answer is right before us. But the truth is, no one will care more about our region than we will, and by we, I mean ALL of us.

Last night, some of our regional news organizations ran a story effectively announcing a merger between Mountain States Health Alliance and Wellmont Health System.

As members of the Mountain States Health Alliance team, you deserve better than to hear news like that from public sources before you have heard it from us directly. And so I regret this story. Unfortunately, there are things outside our control.

While an agreement has not yet been signed, I will confirm for you that, for the past year, Wellmont has been engaged in a process of evaluating various options for their system. Given the multitude of serious challenges faced by health systems throughout the nation, this was the responsible thing for them, and for us, to do. As our Board evaluated these external challenges, and our own options, we came to the unanimous conclusion that the solutions to these problems were local. In fact, the solution was right before us. That solution, we believe, is for Wellmont and Mountain States to join together in the formation of a new system focused on not only surviving as a health delivery system, but to embrace an even bigger mission of measurably improving the overall health of our region.

Many hospital systems throughout the nation have succumbed to these pressures by selling to, or merging with, larger systems - often based elsewhere and out of market. I have communicated multiple times, on behalf of the unanimous opinion of our Board, that we do not believe the answers to our challenges lie in communities elsewhere. We believe the answer to our challenges is right here at home in Northeast Tennessee and Southwest Virginia. We simply believe that there is no organization that will be more passionate about our community, our employers, and our next generation, than we will be. We face children today who are addicted to drugs. Families broken up by the economy. Kids who can achieve success if they would only master the art of reading at grade level. Among the highest teen smoking rates. One of the highest rates of cancer, diabetes and heart disease in the nation. Challenges in access to needed mental health services------ I could go on. All of us know these challenges are the reason our rates of hospitalization are among the highest in the nation. Wellmont and Mountain States have way more in common than what divides us, and frankly, our common competitor is the poor health status of our region. It is our responsibility - our mission - to make this community a healthier place for the next
generation. Providing loving health care is very important. But it becomes less necessary if our families don't need the health care because we've found a way to help them achieve better health. This is something we are committed to.

These are the things our Board has been talking about. I'm proud of that. It demonstrates a level of ownership of our community's health that many organizations don't think is their responsibility. We believe it is ours, and we are prepared to do something about it.

So today, I am sharing with you that yes, our Board and Wellmont’s Board have decided to agree on a partnership. An agreement has not yet been signed, but we anticipate that will happen in the next 24 hours. We will share much more information and more details with you between now and Thursday. In the mean time I make you these pledges:

1. We will communicate directly with you

2. It will not simply be a merger of assets, as most hospital transactions are. It will be the creation of a Health Improvement Organization designed, in its DNA, to be among the best health systems in the nation, with a sincere focus on improving the overall health of our region - and not just providing great hospital care.

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4. It will involve enhancement in access for mental health and addiction recovery services.

5. It will keep any synergies here at home rather than sending them off to systems based elsewhere whose whose priorities may be very different than ours.

Let me close by saying this. Hospitals are really nothing more than buildings. What makes our region special – and I say this about Mountain States and Wellmont – are the people, the love, the compassion and the caring that goes on inside the walls. THAT is what makes us so special, and that is what binds us together as a region. Pulling both of these systems together opens opportunity for our region that we could never achieve apart, in my opinion.

I look forward to sharing more in the next couple of days. In the meantime, please keep doing the great work you are doing. You are the best.

Alan
Mountain States CEO confirms merger in email to employees

Nathan Baker • Apr 1, 2015 at 1:00 AM
nbaker@johnsoncitypress.com

In an email to thousands of the health care system’s employees, Mountain States Health Alliance CEO Alan Levine confirmed a partnership agreement with the Johnson City-based hospital organization and neighboring Wellmont Health System, a combination that will have major effects across the Tri-Cities.

“So today, I am sharing with you that yes, our Board and Wellmont’s Board have decided to agree on a partnership,” Levine wrote in an email addressed to “MSHA Everyone.” “An agreement has not yet been signed, but we anticipate that will happen in the next 24 hours.”

The revelation came after more than a year of speculation as to which nonprofit system Wellmont would choose as a partner. The system’s board of directors began last January with nine potential merger partners, narrowed the field down to six, then three, then two by December, when the board members entered an “audit and verification stage,” conducted behind closed doors.

Levine sent the email to employees a day after local television news station WCYB ran a piece announcing the merger agreement, attributed anonymously by the news staff to “several sources throughout the community.” In the email, Levine said he regretted his staff heard the news from this source.

“Last night, some of our regional news organizations ran a story effectively announcing a merger between Mountain States Health Alliance and Wellmont Health System,” the CEO wrote. “As members of the Mountain States Health Alliance team, you deserve better than to hear news like that from public sources before you have heard it from us directly. And so I regret this story. Unfortunately, there are things outside our control.”

To the Mountain States employees on the email list, Levine made five promises, first among them that the hospital system’s administration would communicate directly with the employees.

He also said the newly formed organization will “not simply be a merger of assets,” but rather a Health Improvement Organization “designed ... to be among the best health systems in the nation.”

Though not naming East Tennessee State University directly, Levine said the merger will partner with a major academic institution, allowing dedication to and investing in research, and would enhance access for mental health and addiction recovery services.
Wellmont spokesman Jim Wozniak sent a statement to local media Tuesday afternoon setting a Thursday press conference, at which the merger decision was expected to be announced.

“Right now, we are focused on engaging with our employees and physicians about the future path we are exploring,” Wozniak wrote in the email. “We look forward to sharing more information with media this Thursday. Tomorrow morning, you will receive an invitation to a press briefing with our leadership, and we hope you will be able to join us.”

The merger creates a health organization with 19 hospitals and more than 15,000 employees, generating nearly $1.8 billion in annual revenue.

The local joining gained support through the year from business leaders and the elected boards of several municipalities, who backed the merger as a way to retain local control over residents' health care.

Levine's email does not outline the financial or organizational plan for the new company, nor does it specify when the merger will be finalized.

Read the full text of the email below:

To my Mountain States Colleagues:

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We have a young lady who is a patient at Johnson City Medical Center. Her diagnosis is serious and her prognosis is poor. Last week, while talking to one of her wonderful nurses, and knowing her prognosis, she said, “I’m probably going to be going home, and what I’d really like more than anything is for my Daddy to be able to take me to see Cinderella.” The new Cinderella movie is a Disney film currently playing in the movie theatres. As a father with a daughter the same age, just seeing those words on my computer screen makes me pause. All she wanted was to be with her daddy to see a movie.

Well, our team at the Med Center got right to work. I’m told only three times in history has Disney permitted the private use of their movies while still in Theater. Our team called the right people, and within a few days, we had the movie. A room was made up to be a private salon. Miss Tennessee, Miss Jonesborough, Miss Kingsport and several other wonderful young ladies came to see our patient. Our patient was brought to the salon where she selected a gown and our staff gave her a Cinderella makeover. Her nurses were dressed like the fairy godmother, and we even had a prince charming. Our patient was brought down to the entrance of the surgery center, where a private chariot --- and her daddy, dressed as prince charming, awaited her. She did not have the strength to ride the chariot, but her parents did. From there, she was escorted by friends and family to a room with a red carpet, and her own private showing of Cinderella.
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surviving as a health delivery system, but to embrace an even bigger mission of measurably improving the overall health of our region.

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I look forward to sharing more in the next couple of days. In the meantime, please keep doing the great work you are doing. You are the best.

Alan

Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook: www.facebook.com/jcpressbaker.
As unconfirmed rumors of a merger between the region’s only health care systems continue to swirl, those with the ability to confirm or dispel the business transaction are keeping latex-gloved fingers firmly pressed to their lips.

Though Bristol, Virginia, television news station WCYB reported Monday that “several sources throughout the community” confirmed, on conditions of anonymity, a forthcoming merger between Wellmont Health System and Mountain States Health Alliance, official representatives of the two nonprofits either declined to comment or did not return telephone calls and emails Monday night and Tuesday.

Mountain States Communications Manager Teresa Hicks declined comment on the prospect of a looming announcement, pointing to her counterpart at Wellmont, Media Relations Manager Jim Wozniak, who, sent out an emailed statement Tuesday afternoon teasing a press conference set for Thursday.

“Right now, we are focused on engaging with our employees and physicians about the future path we are exploring,” Wozniak wrote. “We look forward to sharing more information with media this Thursday. Tomorrow morning, you will receive an invitation to a press briefing with our leadership, and we hope you will be able to join us.”

In a statement sent Friday in response to a request for an update on the system’s board of directors’ progress toward deciding the fate of the health care provider, Wozniak said the body “continues to make great progress in determining the right path for our future.”

“While we don’t have anything more specific to share today, we do expect to have something definitive to announce in the near future,” he wrote then.

The 16-member board of directors, led by Chairman Roger Leonard, have been working to choose a suitor for the hospital system since before January of last year. The board originally estimated the process would be completed by December, but in that month, announced it would take longer an unspecified amount of additional time to deliberate.

Local business and government leaders have speculated throughout the merger search process on how the combining of Mountain States’ 8,599 employees and 13 hospitals with Wellmont’s 6,448 employees and six hospitals will affect the region.
Although community voices have focused on concerns of a local health care monopoly should the two merge, elective boards in all of the Tri-Cities have soundly voted to back the local joining, saying the monopoly concerns could be answered by attaining a certificate of public advantage from both Tennessee and Virginia.

With a certificate of public advantage, the two companies would lay out their plans for merging and outline regulations that would artificially hold down fees for service and expansion.

In both Tennessee and Virginia, the plans would require approval from the executives of the states’ health departments.

According to Tennessee Department of Health spokesman Bill Christian, neither organization had applied for such a certificate from the department’s Healthcare Facilities Office. A spokesperson from the state attorney general’s office, through which a certificate of public advantage would have to pass, likewise said no application had been filed.

The amalgamation, with access to millions of patients in Northeast Tennessee and Southwest Virginia, could also create research opportunities for students at East Tennessee State University’s Quillen College of Medicine, proponents have said.

In August, during a public forum held in Kingsport and a meeting of the Washington County Economic Development Council four days later, ETSU President Brian Noland said a partnership with an organization offering such a patient pool could help the college secure some of the billions of dollars in grants awarded each year for medical research.

When attempting Tuesday to contact Quillen College of Medicine Dean Robert Means, who also serves on the Southwest Virginia Health Authority, a board that would likely review plans for the merger before the Virginia Department of Health considered granting the certificate of public advantage, college spokeswoman Kristen Swing said Means was out of town, and ETSU would not be making a public comment about a possible merger unless the hospitals take the first leap.

Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook: www.facebook.com/jcpressbaker.
Wellmont Health System has pledged an open communication process with its “family” on the eve of announcing a merger with rival health care provider Mountain States Health Alliance. A letter distributed to employees outlines Wellmont’s intention to work with Johnson City-based MSHA to explore the creation of a new integrated and locally governed health system. A news media briefing on the agreement has been scheduled for 2 p.m. today at Kingsport’s MeadowView Marriott. The two health care system boards are expected to sign off on the deal. WCYB TV-5 reported the main talking points of the deal on Monday — before either system communicated with their employees. The TV station initially did not cite sources for their information about the deal.

Wellmont had begun considering an alignment process last year. During 2014, Wellmont President and CEO Denny DeNarvaez and other members of her management team left the organization. Besides MSHA, an out-of-region health care provider was being considered as a potential alignment partner with Wellmont. The out-of-region provider has never been publicly identified. According to the letter, penned by Wellmont Board Chairman Roger Leonard and President/CEO Bart Hove, the new organization would be led by one board of directors and one leadership team composed of current executives from both organizations. This new board would include equal board representation from Wellmont and Mountain States, as well as two new independent members and the president of East Tennessee State University as an ex-officio non-voting member, the letter noted. Brian Noland is ETSU’s current president.

MSHA’s Alan Levine would lead the management team as executive chairman/president, while Hove would serve as CEO. MSHA’s Marvin Eichorn would be chief operating officer, while Wellmont’s Alice Pope would be chief financial officer. The Wellmont letter pledges “a name” will be created to reflect the new identity of the combined organization. A counsel of physician leaders from both organizations will also be formed to address matters related to the provision of clinical services and other medical staff matters, the letter adds. “Preserving employee satisfaction and security is a shared goal,” the Wellmont letter says. Wellmont is headquartered in Kingsport, and no information has been released to indicate whether the new system will continue to have administrative offices in the Model City. The agreement will be followed by a process to obtain Tennessee and Virginia regulatory approvals of the merger. Legislation has been filed in both states to help make that happen. Tennessee Hospital Association President Craig Becker, in a phone interview on Wednesday, said the merger will be good for the region. “It certainly makes all the sense in the world, particularly if they can get past the obvious issue of potential anti-trust,” Becker said. “I think they can ... It should be good to go.” The merger would create a health organization with 19 hospitals and an estimated 15,000 employees.
Va. attorney general talks about his role in merger

Posted: Apr 01, 2015 07:20 PM EDT

Updated: May 24, 2016 05:53 AM EDT

Va. attorney general & patients' choices there after merger
BRISTOL, Va. - Virginia's attorney general was in town Wednesday and News 5 WCYB caught up with him to ask about the Wellmont Health System-Mountain States Health Alliance merger.

Mark Herring said, "I'll look carefully at all the facts, and my main goal is that the merger is in the best interest of the people in southwest. That's really what my responsibility is."

A bill is under review by Virginia Governor Terry McAuliffe that would allow Mountain States Health Alliance and Wellmont Health System to come together as one company.

House Bill 2316 would let the companies to merge by allowing cooperative agreements between health groups in Southwest Virginia.

Attorney General Herring said about that, "If an application is filed, we're going to look at all the facts including competition and again, my primary goal is to make sure the best interest of the people of southwest Virginia are protected."

The attorney general has been on a statewide public safety tour. Wednesday, he held regional meetings in Wise County and Galax.

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Regional

Wellmont informs employees of merger

Posted: Apr 01, 2015 07:00 PM EDT

Updated: May 24, 2016 05:53 AM EDT

Companies send letters to employees

KINGSPORT, Tenn. - The Wellmont Health System-Mountain States Health Alliance merger that News 5 WCYB was first to confirm and bring you Monday night at 5 will be officially announced Thursday.

Wellmont informed its employees Tuesday at 3:51pm with a letter from board chair Roger Leonard and president/CEO Bart Hove. The letter is below.

Mountain States informed its employees shortly before in an email you can see here.

Dear Wellmont Family,

Over the next several days, we will be sharing many details with you about some truly exciting historic news.

As you all know, our board has spent more than a year thoughtfully considering how we move forward in the changing era of health care. We want to give you our sincere thanks for your patience with us during this time – and we also want to show a decision just made by our board.

Our board has agreed to work with the Mountain States Health Alliance board to explore the creation of a new, integrated and locally governed health system. This organization would be designed to be among the best in the nation, further advancing the already high-caliber care you work hard to provide every day - and working in new ways to address the serious health issues that affect our region.

Importantly, what we are announcing is our intent to explore this new organization. Our boards have not yet signed - but are expected to this week – a term sheet. In fact, we had hoped to have that step completed prior to any communications internally with you and certainly with the media, but given the questions and rumors circulating, we want to give you the complete and correct information. Our employees, physicians and patients are, and will always be, our top priority. There is much work to be done from this point forward.

Given the complexity of what we are exploring, we have outlined a week of communications to engage with you to answer your questions as we begin this journey. Over the next few days, there will be a variety of opportunities to hear more about the vision we have for this new organization and to have your questions answered by leadership. You can expect a number of town halls, special meetings, written communications and a press briefing.

At the beginning of this process, we set out to ensure our system can continue its mission to provide great health care to the people of our community for tomorrow and for generations to
come. In this important work, our board said we were open to the possibility of aligning with another health system provided it meets key guidelines. It must be a provider of exceptional clinical care. It must be committed to our mission and values. It must be committed to physician leadership and have a track record as a great employer. It must be committed to investment in our region. It must be a good corporate citizen.

**These were high bars, but we believe we have met our goal in choosing to create a future with Mountain States.** We already have two terrific organizations. By bringing them together, we can create a new health system that will bring our community unprecedented quality of care and value.

We plan to make new investments in high-level specialty services that will allow more people to receive the care they need close to home. We would also tackle regional issues such as smoking, obesity and physical inactivity to prevent the adverse effect they have on people’s health. Plus, we envision working with the community on a comprehensive regional health needs assessment to identify and address health gaps and disparities and create more effective models of rural health care delivery. These are just a few benefits to the community of creating a new system with Mountain States.

There is much planning work ahead, but there are some things we know today about what our new system will look like:

- **Governance:** The new organization would be led by one board of directors and one leadership team composed of current executives from both organizations. This new keyboard would include equal representation from Wellmont and Mountain States, as well as two new independent members and the President of East Tennessee State University as an ex-officio non-voting member.
- **Management:** The new organization would be managed by an executive team with representatives from each organization: Executive Chairman/President Alan Levine, CEO Bart Hove, COO Marvin Eichom and CFO Alice Pope. Other senior management positions will be determined over time.
- **Naming:** A name will be created to reflect the new identity of the combined organization.
- **Clinical Council:** Physicians will have a strong voice during the integration process and will help guide the formation of the new system. A counsel of physician leaders from both organizations will be formed to address matters related to the provision of clinical services and other medical staff matters. All existing contracts and medical privileges will be honored for employed and independent physicians in good standing.
- **Employees:** Preserving employee satisfaction and security is a shared goal. The goal is for the new organization to be recognized as one of the leading health care employers in the country. After our boards have executed a term sheet and following a period of diligence and integration analysis, we expect to sign a definitive agreement, which is the next formal step in solidifying the integration of our two systems. The definitive agreement will be followed by a process to obtain Tennessee and Virginia approvals of the merger, which will likely take us through the end of 2015.

We want to emphasize that nothing has changed today in the way we deliver care or function as an organization. Wellmont and Mountain State remain separate and independent health systems
for now. But this is the beginning of an exciting journey, and we are enthusiastic about what the future holds for health care in our region and for you as employees and members of our medical staff. We have noble ambitions for the new organization we are exploring, and we need your help to get there.

We know you will have questions over the coming weeks and months. We are scheduling a number of meetings for employees and physicians this week. You will receive that schedule for your specific ..... 

Again, we deeply appreciate your patience and thank you for your continued commitment to our community. We are extraordinarily proud of the exceptional care you deliver every day and I know our patients and their families are comforted to have medical and administrative professionals like you by their sides. We look forward to your contribution to this new model of high-quality healthcare for many years to come.

Sincerely,

Roger Leonard
Chair, Board of Directors
Wellmont Health System

Bart Hove
President & CEO
Wellmont Health System

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Mountain States announces merger to employees

Posted:  Apr 01, 2015 07:00 PM EDT

Updated:  May 24, 2016 05:53 AM EDT

JOHNSON CITY, Tenn. - The Wellmont Health System-Mountain States Health Alliance merger that News 5 WCYB was first to confirm and bring you Monday night at 5 will be officially announced Thursday.

Mountain States informed its employees Tuesday at 3:24pm with an email from president/CEO Alan Levine. The text is below.

Wellmont followed at 3:51 and WCYB.com has that for you here.

To my Mountain States Colleagues:

Good Afternoon!  First, I'd like to tell you a story.  It was something I saw this weekend that was so magical and good, that I felt I needed to share it.

We have a young lady who is a patient at Johnson City Medical Center.  Her diagnosis is serious and her prognosis is poor.  Last week, while talking to one of her wonderful nurses, and knowing her prognosis, she said, "I'm probably going to be going home, and what I'd really like more than anything is for my Daddy to be able to take me to see Cinderella."  The new Cinderella movie is a Disney film currently playing in the movie theatres.

As a father with a daughter the same age, just seeing those words on my computer screen makes me pause.  All she wanted was to be with her daddy to see a movie.

Well, our team at the Med Center got right to work.  I'm told only three times in history has Disney permitted the private use of their movies while still in Theater.  Our team called the right people, and within a few days, we had the movie.  A room was made up to be a private salon.  Miss Tennessee, Miss Jonesborough, Miss Kingsport and several other wonderful young ladies came to see our patient.  Our patient was brought to the salon where she selected a gown and our staff gave her a Cinderella makeover.  Her nurses were dressed like the fairy godmother, and we even had a prince charming.  Our patient was brought down to the entrance of the surgery center, where a private chariot --- and her daddy, dressed as prince charming, awaited her.  She did not have the strength to ride the chariot, but her parents did.  From there, she was escorted by friends and family to a room with a red carpet, and her own private showing of Cinderella.

I sat there the entire movie and watched her father and mother sit by her side, holding her hand.  Incidentally, her parents are hard of hearing, so the movie had subtitles.  Yes, the team
thought through that level of detail.

Now, I'm not going to lie....I really enjoyed the movie. But more so, I could not possibly have been more inspired by the team, and what they did for this patient. It was a gift in its truest sense, given without any strings attached. What our staff saw was a young lady who just wanted to do something special with her daddy. I can't think of anything that better tells the story of who we are.

Normally, I'd use this story as an example of what makes Mountain States so special. And I do believe that. But, the reality is, this is not necessarily a story about how special Mountain States is. It is really a story about a culture and region...where we take care of our own. A culture where our faith is more than just going to church on Sunday. A place where many grew up together, and raise their kids together. A culture where throughout our region, we know each other, we play sports with (and against) each other. It is a culture in Northeast Tennessee and Southwest Virginia that is so special.

I was in Kingsport recently at a restaurant where I had stopped for lunch. I looked over as a man with his two boys sat at the table next to mine. Before they began eating, one of the boys led who I suppose was his brother and father in a blessing. I thought to myself that where I came from, that was not the culture. A small, quiet prayer to give thanks.

This is what unites our region. Notwithstanding what little divides us, as a region, we are all very much the same. And we are being challenged like never before by outside influences. In healthcare, we know what those are. Culturally, we know what those are.

And as always, I believe the answers to our problems are here in our region. We have the right culture and we care enough to do what must be done to serve others. Sometimes, those things are hard to do. Other times, the answer is right before us. But the truth is, no one will care more about our region than we will, and by we, I mean ALL of us.

Last night, some of our regional news organizations ran a story effectively announcing a merger between Mountain States Health Alliance and Wellmont Health System.

As members of the Mountain States Health Alliance team, you deserve better than to hear news like that from public sources before you have heard it from us directly. And so I regret this story. Unfortunately, there are things outside our control.

While an agreement has not yet been signed, I will confirm for you that, for the past year, Wellmont has been engaged in a process of evaluating various options for their system. Given the multitude of serious challenges faced by health systems throughout the nation, this was the responsible thing for them, and for us, to do. As our Board evaluated these external challenges, and our own options, we came to the unanimous conclusion that the solutions to these problems were local. In fact, the solution was right before us. That solution, we believe, is for Wellmont and Mountain States to join together in the formation of a new system focused on not only surviving as a health delivery system, but to embrace an even bigger mission of measurably improving the overall health of our region.
Many hospital systems throughout the nation have succumbed to these pressures by selling to, or merging with, larger systems - often based elsewhere and out of market. I have communicated multiple times, on behalf of the unanimous opinion of our Board, that we do not believe the answers to our challenges lie in communities elsewhere. We believe the answer to our challenges is right here at home in Northeast Tennessee and Southwest Virginia. We simply believe that there is no organization that will be more passionate about our community, our employers, and our next generation, than we will be. We face children today who are addicted to drugs. Families broken up by the economy. Kids who can achieve success if they would only master the art of reading at grade level. Among the highest teen smoking rates. One of the highest rates of cancer, diabetes and heart disease in the nation. Challenges in access to needed mental health services----- I could go on. All of us know these challenges are the reason our rates of hospitalization are among the highest in the nation. Wellmont and Mountain States have way more in common than what divides us, and frankly, our common competitor is the poor health status of our region. It is our responsibility - our mission - to make this community a healthier place for the next generation. Providing loving health care is very important. But it becomes less necessary if our families don't need the health care because we've found a way to help them achieve better health. This is something we are committed to.

These are the things our Board has been talking about. I'm proud of that. It demonstrates a level of ownership of our community's health that many organizations don't think is their responsibility. We believe it is ours, and we are prepared to do something about it.

So today, I am sharing with you that yes, our Board and Wellmont's Board have decided to agree on a partnership. An agreement has not yet been signed, but we anticipate that will happen in the next 24 hours. We will share much more information and more details with you between now and Thursday. In the mean time I make you these pledges:

1. We will communicate directly with you
2. It will not simply be a merger of assets, as most hospital transactions are. It will be the creation of a Health Improvement Organization designed, in its DNA, to be among the best health systems in the nation, with a sincere focus on improving the overall health of our region - and not just providing great hospital care.
3. It will involve a partnership with a major Academic institution that is committed to investing in research to help solve our region's challenges.
4. It will involve enhancement in access for mental health and addiction recovery services.
5. It will keep any synergies here at home rather than sending them off to systems based elsewhere whose priorities may be very different than ours.

Let me close by saying this. Hospitals are really nothing more than buildings. What makes our region special – and I say this about Mountain States and Wellmont – are the people, the love, the compassion and the caring that goes on inside the walls. THAT is what makes us so special, and that is what binds us together as a region. Pulling both of these systems together opens opportunity for our region that we could never achieve apart, in my opinion.

I look forward to sharing more in the next couple of days. In the meantime, please keep doing
the great work you are doing. You are the best.

Alan

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Virginia's attorney general was in town Wednesday and News 5 WCYB caught up with him to ask about the Wellmont Health System-Mountain States Health Alliance merger.

Mark Herring said, "I'll look carefully at all the facts, and my main goal is that the merger is in the best interest of the people in southwest. That's really what my responsibility is."

A bill is under review by Virginia Governor Terry McAuliffe that would allow Mountain States Health Alliance and Wellmont Health System to come together as one company.

House Bill 2316 would let the companies merge by allowing cooperative agreements between health groups in Southwest Virginia.

Attorney General Herring said about that, "If an application is filed, we're going to look at all the facts including competition and again, my primary goal is to make sure the best interest of the people of southwest Virginia are protected."

The attorney general has been on a statewide public safety tour. Wednesday, he held regional meetings in Wise County and Galax.

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Wellmont releases internal memo confirming planned merger with MSHA

BY Nate Morabito
April 1, 2015

KINGSPORT, TN (WJHL) -

An internal message sent to employees and physicians from Wellmont Health System Board Chairman Roger Leonard and President and CEO Bart Hove confirms the health system's plan to "work with the Mountain States Health Alliance board to explore the creation of a new, integrated and locally governed health system."

At our request, Wellmont released its internal communication sent out Tuesday to staff.

"This organization would be designed to be among the best in the nation, further advancing the already high-caliber care you work hard to provide every day and working in new ways to address the serious health issues that affect our region," the memo said. "Importantly, what we are announcing is our intent to explore this new organization. Our boards have not yet signed - but are expected to this week - a term sheet. In fact, we had hoped to have that step completed prior to any communications internally with you and certainly with the media, but given the questions and rumors circulating, we want to give you the complete and correct information. Our employees, physicians and patients are, and will always be, our top priority. There is much work to be done from this point forward."

The memo continues saying over this week Wellmont will make efforts to communicate its "vision." Wellmont plans on holding town halls, special meetings and written communications in addition to Thursday's press briefing.

At the beginning of this process, we set out to ensure our system can continue its mission to provide great health care to the people of our community for tomorrow and for generations to come," the communication said. "In this important work, our board said we were open to the possibility of aligning with another health system provided it meets key guidelines. It must be a provider of exceptional clinical care. It must be committed to our mission and values. It must be committed to physician leadership and have a track record as a great employer. It must be committed to investment in our region. It must be a good corporate citizen.

These were high bars, but we believe we have met our goal in choosing to create a future with Mountain States. We already have two terrific organizations. By bringing them together, we can create a new health system that will bring our community unprecedented quality of care and value.

We plan to make new investments in high-level specialty services that will allow more people to receive the care they need close to home. We would also tackle regional issues such as smoking, obesity and physical inactivity to prevent the adverse effect they have on people's health. Plus, we envision working with the community on a comprehensive regional health needs assessment to identify and address health gaps and disparities and create more effective models of rural health care delivery. These are just a few benefits to the community of creating a new system with Mountain States."

According to the memo, Mountain State Health Alliance CEO Alan Levine will serve as the new organization's executive chairman/president, while Wellmont's current CEO Bart Hove will serve as...
CEO. In addition to equal board representation from both Wellmont and MSHA, the board will include two independent members and East Tennessee State University's president serving as an "ex-officio non-voting member."

"After our boards have executed a term sheet and following a period of due diligence and integration analysis, we expect to sign a definitive agreement, which is the next formal step in solidifying the integration of our two systems," the communication said. "The definitive agreement will be followed by a process to obtain Tennessee and Virginia approvals of the merger, which will likely take us through the end of 2015.

We want to emphasize that nothing has changed today in the way we deliver care or function as an organization. Wellmont and Mountain States remain separate and independent health systems for now. But this is the beginning of an exciting journey, and we are enthusiastic about what the future holds for health care in our region and for you as employees and members of our medical staff. We have noble ambitions for the new organization we are exploring, and we need your help to get there."
JOHNSON CITY, TN (WJHL) - News Channel 11 has learned Alan Levine, the president and chief executive officer of Mountain States Health Alliance, sent a note to employees Tuesday afternoon after word got out about a press conference scheduled this Thursday with MSHA and Wellmont Health System.

The note to employees confirms a partnership between MSHA and Wellmont.

"... I’m sharing with you that yes, our Board and Wellmont’s Board have decided to agree to a partnership. An agreement has not been signed, but we anticipate that will happen in the next 24 hours," said Levine in the note. "We will share much more information and more details with you between now and Thursday."

The merger, according to the note, would involve a partnership with an academic institution. Levine promised employees five things in his email:

1) We will communicate directly with you

2) It will not simply be a merger of assets, as most hospital transactions are. It will be the creation of a Health Improvement Organization designed, in its DNA to be among the best health systems in the nation, with a sincere focus on improving the overall health of our region - and not just providing great hospital care.

3) It will involve a partnership with a major Academic institution that is committed to investing in research to help solve our region’s challenges.

4) It will involve enhancement in access for mental health and addiction recovery services

5) It will keep any synergies here at home rather than sending them off to systems based elsewhere whose priorities may be very different than ours.

Tuesday, News Channel 11 confirmed with Wellmont Media Relations Manager Jim Wozniak that a press briefing is planned for Thursday. The statement comes as part of a coordinated media response effort with Mountain States Health Alliance.

According to the Associated Press, officials in Tennessee and Virginia must approve the proposed merger before it is finalized - and would create a health organization with 19 hospitals and more than 15,000 employees.

News Channel 11 is following this story. We’ll will share more details as soon as it becomes available. The following is the text of the email that was sent to employees:

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Good Afternoon! First, I’d like to tell you a story. It was something I saw this weekend that was so magical and good, that I felt I needed to share it.
We have a young lady who is a patient at Johnson City Medical Center. Her diagnosis is serious and her prognosis is poor. Last week, while talking to one of her wonderful nurses, and knowing her prognosis, she said, "I'm probably going to be going home, and what I'd really like more than anything is for my Daddy to be able to take me to see Cinderella." The new Cinderella movie is a Disney film currently playing in the movie theatres.

As a father with a daughter the same age, just seeing those words on my computer screen makes me pause. All she wanted was to be with her daddy to see a movie.

Well, our team at the Med Center got right to work. I'm told only three times in history has Disney permitted the private use of their movies while still in Theater. Our team called the right people, and within a few days, we had the movie. A room was made up to be a private salon. Miss Tennessee, Miss Jonesborough, Miss Kingsport and several other wonderful young ladies came to see our patient. Our patient was brought to the salon where she selected a gown and our staff gave her a Cinderella makeover. Her nurses were dressed like the fairy godmother, and we even had a prince charming. Our patient was brought down to the entrance of the surgery center, where a private chariot --- and her daddy, dressed as prince charming, awaited her. She did not have the strength to ride the chariot, but her parents did. From there, she was escorted by friends and family to a room with a red carpet, and her own private showing of Cinderella.

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This is what unites our region. Notwithstanding what little divides us, as a region, we are all very much the same. And we are being challenged like never before by outside influences. In healthcare, we know what those are. Culturally, we know what those are.

And as always, I believe the answers to our problems are here in our region. We have the right culture and we care enough to do what must be done to serve others. Sometimes, those things are hard to do. Other times, the answer is right before us. But the truth is, no one will care more about our region than we will, and by we, I mean ALL of us.
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Many hospital systems throughout the nation have succumbed to these pressures by selling to, or merging with, larger systems - often based elsewhere and out of market. I have communicated multiple times, on behalf of the unanimous opinion of our Board, that we do not believe the answers to our challenges lie in communities elsewhere. We believe the answer to our challenges is right here at home in Northeast Tennessee and Southwest Virginia. We simply believe that there is no organization that will be more passionate about our community, our employers, and our next generation, than we will be. We face children today who are addicted to drugs. Families broken up by the economy. Kids who can achieve success if they would only master the art of reading at grade level. Among the highest teen smoking rates. One of the highest rates of cancer, diabetes and heart disease in the nation. Challenges in access to needed mental health services------ I could go on. All of us know these challenges are the reason our rates of hospitalization are among the highest in the nation. Wellmont and Mountain States have way more in common than what divides us, and frankly, our common competitor is the poor health status of our region. It is our responsibility - our mission - to make this community a healthier place for the next generation. Providing loving health care is very important. But it becomes less necessary if our families don't need the health care because we've found a way to help them achieve better health. This is something we are committed to.

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I look forward to sharing more in the next couple of days. In the meantime, please keep doing the great work you are doing. You are the best.

Alan
Wellmont, Mountain States Health Alliance officials make deal public

BY DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Thursday, April 2, 2015 11:12 pm

KINGSPORT, Tenn. — Months of work and approvals lie ahead before Wellmont Health System and Mountain States Health Alliance can combine operations, but on Thursday officials from the longtime rivals joined to publicly begin that process.

Leaders of the region’s two hospital systems outlined their plans to ultimately combine assets and operations into a single organization that would include 19 area hospitals and about 15,000 employees during an event at MeadowView Convention Center. The news conference was attended by about 150 civic and government officials, board members from both systems and the news media.

A final agreement must be approved by state officials in both Tennessee and Virginia. The final agreement is expected to generate considerable cost savings, but officials said there are no plans to close hospitals or lay off employees.

Thursday’s announcement was the culmination of a 15-month process by Wellmont’s board to identify and secure a strategic partner to provide more long-term financial stability. Originally, Wellmont officials expected to make that decision in December, but the process took longer than expected, Wellmont board Chairman Roger Leonard said.

“Toward the end of last year, we were going to go back and double-check and triple-check all of our information. It was through that process that it became clear to us there were some compelling reasons for this merger to come together,” Leonard said. “It hinged on getting the structure right — a merger of equals, a new organization, a new culture and a new, innovative DNA from the very outset. That’s what took that extra three months was working through that.”

At least one other not-for-profit system and two for-profit health care systems remained interested as recently as February, Leonard said.

While there was vocal community support for Mountain States during much of that time, the deal really came together in recent months. Barbara Allen, chairwoman of the MSHA board, said that board also recognized financial challenges on its horizon and she credited Mountain States CEO Alan Levine for
helping bring the two sides together.

“I have to give a lot of credit to Alan,” she said. “When he came to this area, he opened our eyes to the possibilities of what could be achieved through a merger — elimination of the duplication of services, redirection of resources to meet the community needs. I think that turned the tide. At our basis level, although for years we’ve been very fierce competitors, I truly believe everyone has the best interest of the region at heart. It was time to see if we could collaboratively look forward.”

Leonard said the agreement was mutually developed and he credited Levine for his insistence on improving mental health services as helping to sway Wellmont toward MSHA. A former state health secretary in Florida and Louisiana, Levine took over at MSHA in January 2014.

“What my board and I talked about — when we first discussed whether to make a proposal [to Wellmont] — was we don’t want this to just be a hospital transaction. If we’re going to do something, it’s got to dramatically change our trajectory in terms of public health. If we couldn’t offer that, it isn’t something we wanted to do because it wouldn’t have been different,” Levine said.

“You have two boards that are very passionate about the systems they operate. There is a lot of history between the systems. But I think everybody came to the conclusion nobody wanted to look backward, everybody wanted to look forward,” Levine added. “I think we’ve come together to create something that will be very unique, very positive and very impactful.”

This week, the boards of directors of both systems unanimously approved a term sheet that outlines the basic framework of how the merger is to occur. At Thursday’s ceremony, they also signed a shared vision statement to improve regional health care.

That vision identifies 13 objectives for the combined system, including: becoming one of the strongest health care systems in the nation; being attractive to physicians and other health care professionals; creating new models of joint physician-administrative leadership; finding ways to lower costs for patients and businesses; long-term financial stability; becoming a national model for rural health care delivery; and creating an efficient system that helps attract employers to the region.

The proposed merger is expected to take the remainder of this year to complete and, until then, the two systems will continue operating independently. They will now begin a due diligence period.

Responsibility for developing many details of how the actual merger would transpire and drafting the definitive agreement now falls to an integration council made up of about 8-10 management and physician members from both sides and run by the chief operating officers of each system. A joint board task force comprised of six board members from each system will oversee their work and develop the management components.

“My personal opinion is that a lot of the heavy lifting has been accomplished in the first iteration,” Allen said. “As we move forward to the definitive agreement a lot of the tough details are handled in the definitive agreement and everyone feels good about the vision and our work moving forward.”
That work is expected to be completed in a few months with the definitive agreement then submitted to state health secretaries and attorneys general to review.

“We plan to work through the process outlined in the law — both in Tennessee and Virginia — to comply with that law and we’re confident we’ll be able to do it properly, through proper oversight from each state,” Levine said.

If approved, the state agencies would then monitor the merged system to ensure it meets the objectives outlined in the agreement.

Under the proposed structure, Levine would serve as executive chairman and president, while Wellmont CEO Bart Hove would become CEO of the merged system. Marvin Eichorn, MSHA’s chief operating officer, would fill that role with the new company and Wellmont Chief Financial Officer Alice Pope would become CFO of the new group.

A new board would be created with equal representation from both systems, two independent appointed members and East Tennessee State University President Brian Noland, who would be an ex-officio, non-voting member.

Many specifics of how a merged system would be structured and function are yet to be determined. In response to media questions, Levine said no layoffs are expected and there are no plans to close hospitals.

“Our goal is to improve the care of the all the citizens of the region we serve. By pooling our resources together, we feel like we can accomplish that task. The end goal is to make everyone’s lives better in the region,” Hove said.

A new primary focus of the merged systems would be increased treatment and services for the mentally ill and people with addictions.

“We have got to do something about substance abuse in this area. If we don’t accomplish anything else — and we will accomplish lots more — but if we accomplish nothing else, what we can do for substance abuse and mental health will be transformational for this region,” Leonard said.

Levine said area business leaders who were privy to advance details of the concept are enthusiastic.

“Our goals are improving the health of the population, improving individual outcomes for patients and reducing the overall cost of care for employers in the community,” Levine said. “I think you’ll find there is a lot of enthusiasm for this because we really do believe the best way to solve some of our larger cost drivers in the health system is to go upstream and not wait until people get sick, but to try and address the reason for poor health before they happen.”

Levine said savings could be invested into other areas.

“The investments we want to make in expanding our access to specialties for children and adults, mental health, addiction and recovery. This is very difficult to do with two independent systems,” Levine said.

While this began as a Wellmont process, Allen said officials at Mountain States are fully engaged.
“It’s the right first step and it’s the only first step,” Allen said. “All our eggs are in this basket. We’re going to make this happen.”
Wellmont Health System and Mountain States Health Alliance confirmed this morning via a press release and a new website that the two entities plan to merge. The two agencies have called a press conference for 2 p.m. today in Kingsport.

The boards of directors of both organizations signed a term sheet Wednesday, according to the website and release.

The agencies have also released a website, www.becomingbettertogether.org.

Bart Hove, president and CEO of Wellmont, and Alan Levine, president and CEO of Mountain States, are featured in a video on the website talking about the planned merger.

"I can assure you, the culture, the history and the heritage of both organizations were well-represented in the process," Levine said in the video. "Our new organization will indeed represent the best of Wellmont and Mountain States."

A new board will be created, which will have equal representation from Wellmont and Mountain States, as well as two new independent, jointly appointed members, according to the news release.

The board will also include a lead independent director who will be a Wellmont board appointee who will work with the board in coordination with the executive chairman, the statement said.

"The president of East Tennessee State University will serve as an ex-officio nonvoting member of the board," according to the release. "The involvement of ETSU will focus on expanding opportunities to compete for research investment in our region, as well as enhancing physician and allied health training for the future."

The new board is expected to direct the proposed health system, which would also have a new name.

Keep following Tricities.com for more information as it becomes available throughout the day. Follow reporters David McGee and Allie Gibson on Twitter for live coverage of the 2 p.m. press conference - McGee at @DMcGeeBHC and Gibson @BHC_Allie.
UPDATE: The news conference being held this afternoon to talk about the planned merger between Wellmont Health System and Mountain States Health Alliance is wrapping up with a ceremonial signing of a vision statement.

The board of both systems voted unanimously to explore the merger, it was announced during the news conference in Kingsport.

MSHA CEO Alan Levine said he sees no downside to a merger.

UPDATE: Saying much work lies ahead, Bart Hove, Wellmont Health System president and CEO, said this afternoon that the process to merge with Mountain States Health Alliance will likely go on through the rest of the year.

In the meantime, he said the two health care systems will remain separate.

His remarks came during a heavily attended news conference being held this hour at the MeadowView Convention Center in Kingsport.

Mountain States CEO Alan Levine said that many difficult decisions lie ahead and the cost of health care in the region must be reduced.

Also speaking is Dr. Brian Noland, president of East Tennessee State University, who said a merged system would be good for the university.

KINGSPORT, Tenn. - At this hour, officials of Wellmont Health System and Mountain States Health Alliance and discussing details of their plans to merge the region's health care systems into one.

The formal announcement represents the culmination of months of study by Wellmont's 16-member board of directors and officials of long-time rival system Mountain States.

On Wednesday, the boards of directors of each organization signed a term sheet committing to working toward a 50-50 partnership, according to a written statement. The merger plan must be approved by state officials in both Virginia and Tennessee.
Attached to this story is a four-page draft version of the organizations' shared vision of health care in this region.

Both organizations have also launched a joint website that offers more information about their efforts, www.becomingbettertogether.org.
ETSU president says school to help assess the region's patient needs

BY ALLIE ROBINSON GIBSON | BRISTOL HERALD COURIER | Posted: Thursday, April 2, 2015 10:49 pm

KINGSPORT, Tenn. — East Tennessee State University will help the region’s two health care systems assess the area’s patient needs as the systems move toward a proposed merger.

Wellmont Health System and Mountain States Health Alliance officials announced Thursday that they plan to seek a merger, and there’s a spot on the board for the ETSU president, currently Brian Noland.

“All of us together are committed to one common value and that is improving lives of the people in our region — Southwest Virginia, East Tennessee and Eastern Kentucky,” Noland said at the announcement in Kingsport Thursday. “... ETSU will also partner with the new system and help conduct a health needs assessment for the area, a health needs assessment will identify gaps and health disparities. This assessment will shape the new direction of the system and establishing priorities, particularly in rural communities.”

He said the three entities — Wellmont, MSHA and ETSU — will work together to find “common solutions to common problems.”

Faculty and students at ETSU’s Quillen College of Medicine will conduct a baseline population health assessment that will include patient data and interviews, which will paint a picture of the health care challenges that face the region, he added.

“As a university with ... faculty and staff who are committed to improving the lives of the people in the region, this gives us an opportunity to be involved, and to [do a] determination of health needs, to identify the shortcomings and then work together as a unified health system to find ways to address those needs,” Noland said. “I think you’ll see, as we move through this assessment, stark challenges outlined and the ability of a unified system working in concert with our faculty to develop solutions to those challenges is something that would simply not be possible if we continued to go down separate paths.”

The arrangement will also allow for greater research opportunities, Noland said, in part because of the...
sheer volume of patients, and in part because the health care systems intend to use a singular patient database system. ETSU currently conducts about $50 million worth of externally funded research each year, he said.

“As the two systems become one and you’re working with a unified data platform, there’s the opportunity then for us to work with physicians across the area to get a sense of the challenges that face their patients, but then also to engage in clinical and translational research,” Noland said. “So if we see the tone of the challenges facing East Tennessee is diabetes, you have a unified data system and you can then begin to put in place interventions that will move the needle.”

Noland said he’s also hopeful that there will be more opportunities for residencies within the unified health system. MSHA hosts about 110 residency slots, and Wellmont about 70, he said. Both Bart Hove, president and CEO of Wellmont Health System, and Alan Levine, president and CEO of MSHA, said they hope to have more residency slots going forward.

“If you look at the doctors, you see a lot more gray hair,” Levine said to laughter at the news conference. “As doctors are winding down, or slowing down their practices, it is becoming difficult to replace those doctors.”

And, Noland said, doctors are often likely to settle in the region where they did their residencies.

He also said he hopes the larger health care system would draw more specialists to the region.

“One of the challenges to a bivariate system is our inability to have subspecialists with a base of patients to serve the needs of the region,” he said, adding that currently patients often drive hours to see specialists. “I guarantee you this week, an East Tennessee family is driving back and forth between here and Knoxville because they’re receiving care there. By coming together, we have the opportunity for greater specialization and greater provision of care for the people of our region. No longer will we have to go out of state for transplants. You will see health care for our region transform by the work that begins here today.”

Doctors representing MSHA and Wellmont agreed.

“Say you want to recruit an endocrinologist,” said Dr. Nelson Gwaltney, who works at Wellmont. “They can take care of the whole region’s endocrinology patients, then it’s easier to justify them and the system can support them. Those kinds of specialists that are hard for a Wellmont or a Mountain States to attract, this system may very well be able to do it.”

Dr. Jeff Farrow, a physician at Mountain States, said that the merger would also allow doctors to use the resources throughout the region, not just within their system, and that a larger health care system could serve as a draw for doctors to work here.

“The strength of the system would allow us to get some individuals we might not be able to get,” he said. “The medical school might enable us to get some subspecialists that we wouldn’t be able to get.”
Wellmont Health System, Mountain States Health Alliance Announce Plans to Pursue an Integrated Health System

New organization would make health care more affordable, redirect resources toward improving health of region

Media Advisory: Wellmont and Mountain States leaders invite members of the media to join us for a media briefing today at 2 p.m. in the Warriors Path Amphitheater in the Executive Conference Center at MeadowView Conference Resort & Convention Center. We invite set-up at 1:45 p.m.

April 02, 2015 10:27 AM Eastern Daylight Time
KINGSPORT, Tenn. & JOHNSON CITY, Tenn.--(BUSINESS WIRE)--Wellmont Health System and Mountain States Health Alliance have agreed to exclusively explore the creation of a new, integrated and locally governed health system designed to address the serious health issues affecting the region and to be among the best in the nation in terms of quality, affordability and patient satisfaction.

In a term sheet signed Wednesday, the boards of directors of both organizations agree to explore combining the assets and operations of Wellmont and Mountain States into a new health system. This decision follows more than a year of merger discussions, internal analysis within each system, thoughtful conversations in the community and unanimous votes by both boards to examine this option.

“We are excited about this proposed combination that will bring together the capabilities of both Wellmont and Mountain States, combined with a partnership in academics and with our states, to serve the region and result in unprecedented quality and value,” said Roger Leonard, chair of Wellmont’s board. “We are grateful to the thousands of community and business leaders, physicians, employees and patients who have shared their thoughts throughout this process. It was deliberative and methodical, which led us unanimously to the right conclusion.”

“Our board is enthusiastic about this potential partnership,” said Barbara Allen, chair of the board for Mountain States. “We and the leadership of Wellmont all care deeply about the region we serve. We share a passion for improving our region’s health and our region’s economy. We look forward to working closely with the state of Tennessee and the
Commonwealth of Virginia, as well as with our payors, to focus on the real drivers of cost reduction and quality-enhancement.”

A new board will be created, which will have equal representation from Wellmont and Mountain States, as well as two new independent, jointly appointed members. The board will also include a lead independent director who will be a Wellmont board appointee who will work with the board in coordination with the executive chairman. This is a best practice model frequently used by companies who have an executive chairman.

The president of East Tennessee State University will serve as an ex-officio nonvoting member of the board. The involvement of ETSU will focus on expanding opportunities to compete for research investment in our region, as well as enhancing physician and allied health training for the future.

This new board would direct the proposed health system, which would also have a new name. One leadership team, composed of current executives from both organizations, would lead the combined system. The CEOs of both organizations would share leadership responsibilities.

“Northeast Tennessee and Southwest Virginia disproportionately suffer from serious health issues – cardiovascular disease, diabetes, addiction and access to mental health services, to name a few – and they must be addressed,” said Alan Levine, president and CEO of Mountain States, who would become executive chairman and president of the combined system. “The cost of this poor health is not sustainable. By integrating, we can refocus our efforts from being measured based on how many patients we can admit to the hospital and how many ways we can duplicate these efforts, to how we measurably improve the health of our region while eliminating unnecessary costs and making health care more affordable. The people of this region deserve nothing less. We intend to demonstrate the merger’s substantial specific potential in these areas.”

An integration council with executive and physician leaders from both systems will be formed to further develop plans for a combined system during the next several months. Those plans will be in the best interest of clinical quality and the patients served, will demonstrate shared values and will honor commitments to employees and physicians.

“Together, we’ll work alongside our employed and independent physicians to shape the future of health care by modeling effective clinical collaboration, building new community health solutions and becoming a national model for rural health care delivery,” said Bart Hove, president and CEO of Wellmont, who would be CEO of the new system. “As one system, our physicians would share best practices, collaborate to benchmark our outcomes against the nation’s best and develop new high-level services closer to home.”
The systems now enter a due diligence period and will work toward developing a definitive agreement. The definitive agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

In Tennessee, the organizations will pursue approval under the state's COPA (Certificate of Public Advantage) statute. A COPA authorizes the parties to merge and directs the state to actively supervise the new health system to ensure that it continues to benefit the community by providing health care that is affordable, accessible, cost-efficient and high in quality. In Virginia, the health systems will pursue a process similar to a COPA that is defined by a proposed statute that has been passed by the legislature and awaits the governor’s signature.

During the next phases of due diligence, integration analysis, planning for potential integration and government approval, both Mountain States and Wellmont will continue “business as usual” as two separate and independent organizations.

For more information, please visit www.becomingbettertogether.org.

About Wellmont Health System

Wellmont Health System is a leading provider of health care services for Northeast Tennessee and Southwest Virginia, delivering top-quality, comprehensive health care, wellness, and long-term care services across the region. Wellmont facilities include Holston Valley Medical Center in Kingsport, Tenn.; Bristol Regional Medical Center in Bristol, Tenn.; Mountain View Regional Medical Center in Norton, Va.; Lonesome Pine Hospital in Big Stone Gap, Va.; Hawkins County Memorial Hospital in Rogersville, Tenn.; and Hancock County Hospital in Sneedville, Tenn. For more information about Wellmont, please visit www.wellmont.org.

About Mountain States Health Alliance

Since 1998, Mountain States Health Alliance has been bringing the nation’s best health care close to home to serve the residents of Northeast Tennessee, Southwest Virginia, Southeastern Kentucky and Western North Carolina. This not-for-profit health care organization based in Johnson City, Tenn., operates family of 13 hospitals serving a 29-county region. Mountain States offers a large tertiary hospital with level 1 trauma center, a dedicated children’s hospital, several community hospitals, two critical access hospitals, a behavioral health hospital, two long-term care facilities, home care and hospice services, retail pharmacies, a comprehensive medical management corporation, and the region’s only provider-owned health insurance company. The team members, physicians and volunteers who make up Mountain States Health Alliance are committed to caring for you and earning your trust. For more information, visit www.mountainstateshealth.com.
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Pre-announcement release gives more details on health system merger

By Nathan Baker, Johnson City Press
Posted: April 02, 2015

In an email before an afternoon press conference, where local leaders are expected to announce a merger between the region's two health care providers, Mountain States Health Alliance and Wellmont Health System confirms their intentions to enter into a joined organization.

The emailed press release from Wellmont spokesman Jim Wozniak says the two hospital systems will explore creating a
"new, integrated and locally governed health system" by combining assets and operations.

“We are excited about this proposed combination that will bring together the capabilities of both Wellmont and Mountain States, combined with a partnership in academics and with our states, to serve the region and result in unprecedented quality and value,” Roger Leonard, chair of Wellmont’s board said in the release.

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☐ Check the box to include the list of links referenced in the article.
'Better together:' Wellmont, Mountain States officially announce merger plans

• APR 3, 2015 AT 1:00 AM

After decades of fierce competition for patients in the region, Wellmont Health System and Mountain States Health Alliance hope to create the peanut butter cup of health care providers, aiming to combine into an organization that is better together.

The two system’s top administrators came together Thursday at Kingsport’s MeadowView Conference Resort and Convention Center to announce an agreement to explore a straight merger, putting 19 hospitals and 15,000 employees from Marion, Virginia, to Sneedville, Tennessee, under the control of one organization.

The $1.8-billion health care nonprofit built by the joining would be an historic step for the areas currently served by the systems, Mountain States CEO Alan Levine said, and would bring benefits for the patients, employees, businesses and medical students touched by the new creation.

“We can do more together, and we will do more together than we ever could as separate systems,” Levine said. “There’s one thing I can promise our region … there are difficult decisions that lie ahead — there are difficult decisions that lie ahead for health systems all over the country — but these decisions are going to be made by people who call this place home and have to live with the consequences of the decisions that we make.”

In the new organization, Levine will serve as executive chairman of the board of directors, a panel made up of equal representation from the two systems and two new, jointly appointed members.

Wellmont’s CEO, Bart Hove, appointed in September to replace the departing Denny DeNarvaez, will be the CEO of the new company.

“We know this announcement will spark many questions and a thirst for details,” Hove said. “While the agreement to explore the merger provides a broad framework, there is still much to determine about how a new system would look and much planning to be done.”

By signing a term sheet Thursday, the leaders of the two systems agreed to begin planning the logistics of the merger, including outlining plans for the facilities owned by the systems and the employees working in them. An integration council, made of executives and physicians from both systems, will be formed to outline the merger plan.

After reaching a definitive agreement, a process expected to take several months, the systems will apply to regulators for approval of the deal.
To help the chances of the approval of the health care monopoly, the systems will apply for a certificate of public advantage from Tennessee’s attorney general and Department of Health and undertake a similar process in Virginia.

The certificate of public advantage application would detail the systems’ plan for the merger and likely set caps on fees for service and growth of the new organization.

Gaining approval by antitrust regulators will most likely take through the end of 2015, the executives said.

If the merger is approved, however, the combined patient volume could be a boon to East Tennessee State University’s Quillen College of Medicine and College of Public Health, according to university President Brian Noland.

“This gives us the opportunity to be involved with this process at the base level,” Noland said. “And it better positions us to address the health needs, both in the short-term and long-term, of our entire region.”

Public Health students will conduct a health needs assessment to identify the disparities in care in the region and develop a plan to assess them.

The uniform medical records system deployed by the new system would contain data from more than a million patients, opening up opportunities for research into the health issues that chronically plague Northeast Tennessee and Southwest Virginia.

A more financially stable system would allow for more spaces for resident physicians, funding for which has been decreased by both Wellmont and Mountain States in the last few years.

The financial benefit of any combined system is reduction in duplicated services, facilities and positions, a topic discussed only generally by the panel.

Other than saying difficult decisions were ahead, Levine said the new system would ensure all patients’ needs were met and “there are no plans to close any hospitals.”

Hove said the integration council would in-part be tasked with identifying duplicate services and planning changes, which could create “opportunities to offer new services.”

Bristol Regional Medical Center, Holston Valley Medical Center and Johnson City Medical Center would likely be tertiary care centers, where specialized procedures and care will be conducted, Levine said.

Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook: www.facebook.com/jcpressbaker.
Sound off: Is a Wellmont, MSHA merger good for the region?

JOHNSON CITY PRESS • APR 3, 2015 AT 1:00 AM

Wellmont Health System is expected to announce today that it will merge with Mountain States Health Alliance. Alan Levine, the CEO of Johnson City-based MSHA, revealed the plans to his health system’s employees by email on Tuesday.

“I am sharing with you that yes, our board and Wellmont’s board have decided to agree on a partnership,” Levine wrote. “An agreement has not yet been signed, but we anticipate that will happen in the next 24 hours.”

As Press Assistant News Editor Nathan Baker reported in Wednesday’s paper, the announcement of the merger comes after more than a year of speculation as to which nonprofit system Wellmont would choose as a partner.

Wellmont began its search in early 2014 with nine potential suitors. It narrowed the field down to two by the end of the year. That was when its board members entered an “audit and verification stage,” conducted behind closed doors.

In his email to MSHA employees, Levine said the newly formed health care provider will “not simply be a merger of assets,” but rather a Health Improvement Organization “designed ... to be among the best health systems in the nation.”

Although he did not name East Tennessee State University directly, Levine said the merger would partner with a major academic institution dedicated to medical research.

Local business and community leaders, as well as area chambers of commerce, have pushed for Wellmont to chose MSHA as its partner.

One such business leader, Bill Greene, a co-founder of Bank of Tennessee and Carter County Bank, told the Press last year he believed a merger of the two regional health care systems would provide greater a benefit to Northeast Tennessee and Southwest Virginia than if Wellmont were to become part of an outside system.

But there is also a fear by some in our community that a merger of Wellmont and MSHA could result in the loss of jobs, as well as lower the quality of medical care in the area.

You can sound off on this topic by emailing us at mailbag@johnsoncitypress.com. Please include your name, telephone number and address for verification.
Wellmont, MSHA kick off historic merger

April 2nd, 2015 5:27 pm by HANK HAYES

KINGSPORT — Wellmont Health System and Mountain States Health Alliance (MSHA) waved the green flag Thursday on a process that would lead to a historic merger of the region’s biggest not-for-profit health care providers.

The challenge now is whether the two former rivals can get to the finish line.

“I don’t want to think about what happens if we don’t (merge),” MSHA President and CEO Alan Levine told a supportive standing room only audience during a briefing inside a meeting room at the MeadowView Marriott.

The Wellmont and MSHA boards of directors on Thursday signed a “term sheet” outlining moves toward a merger agreement.

That term sheet, according to Wellmont Board Chairman Roger Leonard, has no expiration date.

During the term sheet period, Levine promised no hospitals would be closed while Wellmont President and CEO Bart Hove stressed staffing would be a priority.
“We’re going to make sure we have the people to take care of our communities,” Hove noted.

Together, the two systems employ about 14,000 people, have revenues approaching $2 billion and run 19 hospitals in Northeast Tennessee and Southwest Virginia.

Kingsport-based Eastman Chemical Co. is supporting the merger move.

“Eastman supports the decision to unify the systems in an effort to improve both the quality of and access to health care in the region,” CeeGee McCord, Eastman’s manager of Global, Public and Community Affairs, said in an email.

Under the term sheet, Hove said a new governing board will be created, which will have equal representation from Wellmont and Mountain States, as well as two new independent, jointly appointed members.

The board will also include a lead independent director — a Wellmont board appointee — who will work with the board in coordination with the organization’s executive chairman: MSHA’S Levine. Hove would serve as CEO of the new system.

The president of East Tennessee State University will serve as an ex-officio nonvoting member of the board. ETSU’s current president is Brian Noland. The involvement of ETSU will focus on expanding opportunities to compete for research investment in our region, as well as enhancing physician and allied health training for the future.

Noland said a merger would enhance the university’s ability to compete nationally for research dollars that will improve delivery of care.

“We will partner with the new system to strengthen the pipeline of physicians and health professionals, and to attract new research jobs,” Noland said. “...ETSU will also partner to conduct a health needs assessment of the area, to identify gaps and help with health disparities.”

The health care systems now enter a due diligence period and will work toward developing a so-called “definitive agreement” sealing the deal.

In that definitive agreement, Leonard said the future of Wellmont’s Kingsport headquarters would have to be addressed by an integration board. MSHA is based in Johnson City.
Wellmont spokesman Jim Wozniak later said the headquarters for the merged organization would be in a “neutral location.”

The definitive agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

In Tennessee, the organizations will pursue approval under the state’s COPA (Certificate of Public Advantage) statute. A COPA authorizes the parties to merge and directs the state to actively supervise the new health system to ensure it continues to benefit the community by providing health care that is affordable, accessible, cost-efficient and high in quality. In Virginia, the health systems will pursue a process similar to a COPA defined by a proposed statute that has been passed by the legislature and awaits the governor’s signature.

During the next phases of due diligence, integration planning and government approval, both Mountain States and Wellmont said they will continue “business as usual” as two separate and independent organizations.

Wellmont had launched a strategic alignment options process in 2013, and had whittled the list of partners down to two — MSHA and an unnamed out-of-region not-for-profit health system.

Leonard said he could not name that other system due to a non-disclosure agreement, but he added two other unidentified for-profit systems expressed interest in Wellmont.

During Wellmont’s alignment process, both health care systems also faced a push from a business group who feared Wellmont’s regional holdings would lose all local control.

Wellmont also indicated that remaining independent was not a good option because of declining federal reimbursement in the Medicare and Medicaid programs, plus Tennessee’s and Virginia’s decision not to expand their Medicaid programs as allowed under the Affordable Care Act.

For more information, please visit www.becomingbettertogether.org.

Read more: Wellmont, MSHA kick off historic merger | Kingsport Times-News http://e-edition.timesnews.net/article/9086388/wellmont-msha-kickoff-historic-merger#ixzz4MoUCqQHb
Follow us: @timesnewsonline on Twitter | timesnews on Facebook
KINGSPORT — In advance of a 2 p.m. news briefing to be held today, both Wellmont Health System and Mountain States Health Alliance (MSHA) announced their boards have signed a “term sheet” outlining a merger agreement.

This decision follows more than a year of merger discussions, internal analysis within each system, thoughtful conversations in the community and unanimous votes by both boards to examine this option, according to a release.

A new board will be created, which will have equal representation from Wellmont and Mountain States, as well as two new independent, jointly appointed members, the release noted.

The board will also include a lead independent director who will be a Wellmont board appointee who will work with the board in coordination with the organization’s executive chairman, who will be MSHA President and CEO Alan Levine.

The president of East Tennessee State University (Brian Noland is the current president) will serve as an ex-officio nonvoting member of the board. The involvement of ETSU will focus on expanding opportunities to compete for research investment in our region, as well as enhancing physician and allied health training for the future, the release said.

“Northeast Tennessee and Southwest Virginia disproportionately suffer from serious health issues – cardiovascular disease, diabetes, addiction and access to mental health services, to name a few – and they must be addressed,” Levine said. “The cost of this poor health is not sustainable. By integrating, we can refocus our efforts from being measured based on how many patients we can admit to the hospital and how many ways we can duplicate these efforts, to how we measurably improve the health of our region while eliminating unnecessary costs and making health care more affordable. The people of this region deserve nothing less. We intend to demonstrate the merger’s substantial specific potential in these areas.”

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Wellmont, Mountain States announce plans to pursue integrated health system

FROM STAFF REPORTS | Posted: Thursday, April 2, 2015 10:50 am

KINGSPORT T and JOHNSON CITY – Wellmont Health System and Mountain States Health Alliance have agreed to exclusively explore the creation of a new, integrated and locally governed health system designed to address the serious health issues affecting the region and to be among the best in the nation in terms of quality, affordability and patient satisfaction.

In a term sheet signed Wednesday, the boards of directors of both organizations agree to explore combining the assets and operations of Wellmont and Mountain States into a new health system. This decision follows more than a year of merger discussions, internal analysis within each system, thoughtful conversations in the community and unanimous votes by both boards to examine this option.

“We are excited about this proposed combination that will bring together the capabilities of both Wellmont and Mountain States, combined with a partnership in academics and with our states, to serve the region and result in unprecedented quality and value,” said Roger Leonard, chair of Wellmont’s board. “We are grateful to the thousands of community and business leaders, physicians, employees and patients who have shared their thoughts throughout this process. It was deliberative and methodical, which led us unanimously to the right conclusion.”

“Our board is enthusiastic about this potential partnership,” said Barbara Allen, chair of the board for Mountain States. “We and the leadership of Wellmont all care deeply about the region we serve. We share a passion for improving our region’s health and our region’s economy. We look forward to working closely with the state of Tennessee and the Commonwealth of Virginia, as well as with our payors, to focus on the real drivers of cost reduction and quality-enhancement.”

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This new board would direct the proposed health system, which would also have a new name. One leadership team, composed of current executives from both organizations, would lead the combined system. The CEOs of both organizations would share leadership responsibilities.
“Northeast Tennessee and Southwest Virginia disproportionately suffer from serious health issues – cardiovascular disease, diabetes, addiction and access to mental health services, to name a few – and they must be addressed,” said Alan Levine, president and CEO of Mountain States, who would become executive chairman and president of the combined system. “The cost of this poor health is not sustainable. By integrating, we can refocus our efforts from being measured based on how many patients we can admit to the hospital and how many ways we can duplicate these efforts, to how we measurably improve the health of our region while eliminating unnecessary costs and making health care more affordable. The people of this region deserve nothing less. We intend to demonstrate the merger’s substantial specific potential in these areas.”

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“Together, we’ll work alongside our employed and independent physicians to shape the future of health care by modeling effective clinical collaboration, building new community health solutions and becoming a national model for rural health care delivery,” said Bart Hove, president and CEO of Wellmont, who would be CEO of the new system. “As one system, our physicians would share best practices, collaborate to benchmark our outcomes against the nation’s best and develop new high-level services closer to home.”

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About Wellmont Health System

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and Hancock County Hospital in Sneedville, Tenn. For more information about Wellmont, please visit www.wellmont.org.

**About Mountain States Health Alliance**

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KINGSPORT, Tenn. - The Wellmont-Mountain States merger has officially been announced. WCYB.com carried the entire presentation, plus question and answer segment, for more than an hour.

The two health systems have agreed to exclusively explore the creation of a new, integrated and locally governed health system. The theme is Better Together.

The goal is for the combined health system to address the serious health issues affecting the region, and to be among the best in the nation in terms of quality, affordability, and patient satisfaction.

A new board will be created. It'll have equal representation from Wellmont and Mountain States, as well as two new independent, jointly appointed members. The board will also include a lead independent director who will be a Wellmont board appointee. That person will work with the board in coordination with the executive chairman. The companies say, this is a best practice model frequently used by companies who have an executive chairman.

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Look for more details and reaction as it comes in, here on WCYB.com, and on News 5 WCYB starting at 5:00.
Regional

The 4 to lead merged health system

Posted: Apr 02, 2015 11:30 AM EDT
Updated: May 24, 2016 06:03 AM EDT

Ahead of Thursday's 2pm news conference, we're able to tell you about the structure of the new company.

Wellmont spelled it out in their Tuesday letter to employees exactly as News 5 first reported Monday at 5:00.

Alan Levine is currently the CEO at Mountain States. He will become the president and executive chairman of the new company.

Bart Hove is currently Wellmont's interim president. He will take on the title of CEO.

Marvin Eichorn from Mountain States will be the chief operating officer.

And Alice Pope is currently with Wellmont. She will be the chief financial officer of the new company.

Click on their names for their official biographies.

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Wellmont, Mountain States announce merger before news conference

Posted: Apr 02, 2015 11:00 AM EDT

Updated: May 24, 2016 06:02 AM EDT

KINGSPORT and JOHNSON CITY, Tenn. - Wellmont Health System and Mountain States Health Alliance have sent out a joint Thursday morning press release, saying they've agreed to exclusively explore the creation of a new, integrated, and locally governed health system.

The combined health system would be designed to address the serious health issues affecting the region, and to be among the best in the nation in terms of quality, affordability, and patient satisfaction.

In a term sheet signed Wednesday, both boards of directors agreed to explore combining the assets and operations of both companies into a new health system. The decision comes after more than a year of discussions, separate internal analysis, conversations in the community, and unanimous votes by both boards.

"We are excited about this proposed combination that will bring together the capabilities of both Wellmont and Mountain States, combined with a partnership in academics and with our states, to serve the region and result in unprecedented quality and value," said Roger Leonard, chair of Wellmont's board. "We are grateful to the thousands of community and business leaders, physicians, employees and patients who have shared their thoughts throughout this process. It was deliberative and methodical, which led us unanimously to the right conclusion."

"Our board is enthusiastic about this potential partnership," said Barbara Allen, chair of the board for Mountain States. "We and the leadership of Wellmont all care deeply about the region we serve. We share a passion for improving our region's health and our region's economy. We look forward to working closely with the state of Tennessee and the Commonwealth of Virginia, as well as with our payors, to focus on the real drivers of cost reduction and quality-enhancement."

For now, both Mountain States and Wellmont will continue "business as usual" as two separate and independent organizations. For more information, please visit www.becomingbettertogether.org.

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Details of Wellmont, Mountain States merger released

Kingsport, Tenn.-based Wellmont Health System and Johnson City, Tenn.-based Mountain States Health Alliance have announced the two organizations are in exclusive merger talks.

Wellmont and Mountain States plan to come together to create a new health system with a new name. A new board would be created for the organization.

Bart Hove, president and CEO of Wellmont, would serve as the CEO of the new system. "Together, we'll work alongside our employed and independent physicians to shape the future of healthcare by modeling effective clinical collaboration, building new community health solutions and becoming a national model for rural healthcare delivery," said Mr. Hove.

The two systems will now enter into a period of due diligence and work toward a definitive agreement. The transaction also needs regulatory and state approval, which will likely occur at the end of 2015.

More articles on healthcare industry transactions:

Clifton Springs Hospital & Clinic joins Rochester Regional Health System
Robinson Health System to join University Hospitals
IU Health La Porte in exclusive partnership talks with CHS subsidiary

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To receive the latest hospital and health system business and legal news and analysis from Becker's Hospital Review, sign-up for the free Becker's Hospital Review E-weekly by clicking here.
UPDATE: The news conference being held this afternoon to talk about the planned merger between Wellmont Health System and Mountain States Health Alliance is wrapping up with a ceremonial signing of a vision statement.

The board of both systems voted unanimously to explore the merger, it was announced during the news conference in Kingsport.

MSHA CEO Alan Levine said he sees no downside to a merger.

UPDATE: Saying much work lies ahead, Bart Hove, Wellmont Health System president and CEO, said this afternoon that the process to merge with Mountain States Health Alliance will likely go on through the rest of the year.

In the meantime, he said the two health care systems will remain separate.

His remarks came during a heavily attended news conference being held this hour at the MeadowView Convention Center in Kingsport.

Mountain States CEO Alan Levine said that many difficult decisions lie ahead and the cost of health care in the region must be reduced.

Also speaking is Dr. Brian Noland, president of East Tennessee State University, who said a merged system would be good for the university.

KINGSPORT, Tenn. - At this hour, officials of Wellmont Health System and Mountain States Health Alliance and discussing details of their plans to merge the region's health care systems into one.

The formal announcement represents the culmination of months of study by Wellmont's 16-member board of directors and officials of long-time rival system Mountain States.

On Wednesday, the boards of directors of each organization signed a term sheet committing to working toward a 50-50 partnership, according to a written statement. The merger plan must be approved by state officials in both Virginia and Tennessee.
Attached to this story is a four-page draft version of the organizations' shared vision of health care in this region.

Both organizations have also launched a joint website that offers more information about their efforts, www.becomingbettertogether.org.
Two Major Area Health Care Providers Announce Merger

Posted: Friday, April 3, 2015 10:16 am

KINGSPORT -- Wellmont Health System, of Kingsport, has announced plans to merge with the Johnson City-based Mountain States Health Alliance (MSHA).

According to a joint news release issued Thursday by both health-care organizations, the new merger will create an "integrated and locally governed health system designed to address the serious health issues affecting the region and to be among the best in the nation in terms of quality, affordability and patient satisfaction."

In a term sheet signed Wednesday, the boards of directors of both organizations agreed "to explore combining the assets and operations of Wellmont and Mountain States into a new health system," the release says.

"This decision follows more than a year of merger discussions, internal analysis within each system, thoughtful conversations in the community and unanimous votes by both boards to examine this option," the release adds.

"We are excited about this proposed combination that will bring together the capabilities of both Wellmont and Mountain States, combined with a partnership in academics and with our states, to serve the region and result in unprecedented quality and value," said Roger Leonard, chair of Wellmont's board, in the release.

"We are grateful to the thousands of community and business leaders, physicians, employees and patients who have shared their thoughts throughout this process," Leonard added. "It was deliberative and methodical, which led us unanimously to the right conclusion."

"Our board is enthusiastic about this potential partnership," said Barbara Allen, chair of the board for Mountain States, in the release.

"We and the leadership of Wellmont all care deeply about the region we serve," Allen continued.

"We share a passion for improving our region's health and our region's economy. We look forward to working closely with the state of Tennessee and the Commonwealth of Virginia, as well as with our payors, to focus on the real drivers of cost reduction and quality-enhancement," Allen added.

According to the news release, a new board of directors will be created.
The new board will have equal representation from both Wellmont and Mountain States, as well as two new independent, jointly appointed members.

The board will also include a lead independent director who will be a Wellmont board appointee who will work with the board in coordination with the executive chairman, the release continues.

"This is a best practice model frequently used by companies who have an executive chairman," the release adds.

"The president of East Tennessee State University will serve as an ex-officio nonvoting member of the board. The involvement of ETSU will focus on expanding opportunities to compete for research investment in our region, as well as enhancing physician and allied health training for the future," the release adds.

This new board will direct the proposed health system, which will also have a new name, the release notes.

One leadership team, composed of current executives from both organizations, would lead the combined system. The CEOs of both organizations would share leadership responsibilities, the release explains.

"Northeast Tennessee and Southwest Virginia disproportionately suffer from serious health issues -- cardiovascular disease, diabetes, addiction and access to mental health services, to name a few -- and they must be addressed," said Alan Levine, president and CEO of Mountain States, in the release.

Levine will become executive chairman and president of the combined system, the release notes.

"The cost of this poor health is not sustainable," Levine said. "By integrating, we can refocus our efforts from being measured based on how many patients we can admit to the hospital and how many ways we can duplicate these efforts, to how we measurably improve the health of our region while eliminating unnecessary costs and making health care more affordable.

"The people of this region deserve nothing less," he added. "We intend to demonstrate the merger's substantial specific potential in these areas."

According to the release, "An integration council with executive and physician leaders from both systems will be formed to further develop plans for a combined system during the next several months.

"Those plans will be in the best interest of clinical quality and the patients served, will demonstrate shared values and will honor commitments to employees and physicians."

Bart Hove, president and CEO of Wellmont, who would be CEO of the new system, said, "Together, we'll work alongside our employed and independent physicians to shape the future of
health care by modeling effective clinical collaboration, building new community health solutions and becoming a national model for rural health care delivery.

"As one system, our physicians would share best practices, collaborate to benchmark our outcomes against the nation's best and develop new high-level services closer to home," Hove said.

According to the release, "the systems now enter a due diligence period and will work toward developing a definitive agreement. The definitive agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

"In Tennessee, the organizations will pursue approval under the state's COPA (Certificate of Public Advantage) statute. A COPA authorizes the parties to merge and directs the state to actively supervise the new health system to ensure that it continues to benefit the community by providing health care that is affordable, accessible, cost-efficient and high in quality."

During the next phases of due diligence, integration analysis, planning for potential integration and government approval, both Mountain States and Wellmont will continue "business as usual" as two separate and independent organizations, the release says.

Takoma Regional Hospital in Greeneville was formerly affiliated with Wellmont Health System. However, in 2014, it was announced that Takoma would again be wholly-owned by Adventist Health System (AHS).

AHS and Wellmont Health System had jointly owned and governed Takoma Hospital from 2007 until 2014.

Greeneville Sun staff writer Lisa Warren contributed to this article.
Wellmont expected to announce health system merger plans today

Health care leaders are expected to announce a merger between the region's two hospital systems at a press conference scheduled for 2 p.m. Thursday at Kingsport's MeadowView Conference Resort & Convention Center.

An email Wednesday morning set the time and venue for the conference, at which hospital system administrators will "discuss the outcome of Wellmont Health System's strategic options evaluation and the future of health care in the region."

Though the email does not name Mountain States Health Alliance, Wellmont's competitor for two decades and likely merger partner, an email sent Tuesday afternoon by Mountain States CEO Alan Levine to the organization's thousands of employees confirmed an agreement to merge had been reached, though documents had not yet been signed.

Wellmont’s 16-member board of directors, led by Chairman Roger Leonard, have been working to choose a suitor for the hospital system since before January of last year. The board originally estimated the process would be completed by December, but in that month, announced it would take longer an unspecified amount of additional time to deliberate.

Local business and government leaders have speculated throughout the merger search process on how the combining of Mountain States’ 8,599 employees and 13 hospitals with Wellmont’s 6,448 employees and six hospitals will affect the region.

Although community voices have focused on concerns of a local health care monopoly should the two merge, elective boards in all of the Tri-Cities have soundly voted to back the local joining, saying the monopoly concerns could be answered by attaining a certificate of public advantage from both Tennessee and Virginia. With a certificate of public advantage, the two companies would lay out their plans for merging and outline regulations that would artificially hold down fees for service and expansion.

In both Tennessee and Virginia, the plans would require approval from the executives of the states’ health departments.

According to Tennessee Department of Health spokesman Bill Christian, neither organization had applied for such a certificate from the department’s Healthcare Facilities Office. A spokesperson from the state attorney general’s office, through which a certificate of public advantage would have to pass, likewise said no application had been filed.

Christian said the COPA isn’t required in a merger agreement between hospitals, but is a way for companies to protect themselves against anti-trust maneuvers.

The amalgamation, with access to millions of patients in Northeast Tennessee and Southwest Virginia, could also create research opportunities for students at East Tennessee State University’s Quillen College of Medicine, proponents have said.

In August, during a public forum held in Kingsport and a meeting of the Washington County Economic Development Council four days later, ETSU President Brian Noland said a partnership with an organization offering such a patient pool could help the college secure some of the billions of dollars in grants awarded each year for medical research.
When attempting Tuesday to contact Quillen College of Medicine Dean Robert Means, college spokeswoman Kristen Swing said Means was out of town, and ETSU would not be making a public comment about a possible merger unless the hospitals take the first leap. Means also serves on the Southwest Virginia Health Authority, a board that would likely review plans for the merger before the Virginia Department of Health considered granting the certificate of public advantage.

In August, during a public forum held in Kingsport and a meeting of the Washington County Economic Development Council four days later, ETSU President Brian Noland said a partnership with an organization offering such a patient pool could help the college secure some of the billions of dollars in grants awarded each year for medical research.

In public appearances, Mountain States CEO Alan Levine, while not speaking of a bid by his system for its rival, has criticized “unhealthy” competition over the past two decades between the systems that have served to create duplications in services, facilities and equipment in the region.

As an example, Levine pointed to Level I trauma centers in Kingsport, at Wellmont’s Holston Valley Medical Center, and 20 miles away at Johnson City Medical Center. In Tennessee, there are four other Level I trauma centers, one each in the more populous metropolitan areas of Nashville, Knoxville, Memphis and Chattanooga. A reduction in duplicity may also mean lost health care positions in the Tri-Cities, posited Clay Walker, CEO of NETWORKS of Sullivan County, the county’s economic development arm.

“One thing’s certain — nothing stays the same,” Walker said Tuesday. “Mergers happen, regardless of whether an outside firm is buying (Wellmont) or if it’s this merger, something will happen. There could be some elimination of duplication of efforts, there could be job loss, it’s just what the marketplace is going to dictate, but the outcome should be that we have functioning, good, quality health care in the region.”

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BUSINESS

Wellmont, MSHA kick off historic merger

By Hank Hayes, Kingsport Times News
Posted: April 03, 2015

KINGSPORT — Wellmont Health System and Mountain States Health Alliance (MSHA) waved the green flag Thursday on a process that would lead to a historic merger of the region’s biggest not-for-profit health care providers.

The challenge now is whether the two former rivals can get to the finish line.
“I don’t want to think about what happens if we don’t (merge),” MSHA President and CEO Alan Levine told a supportive standing room only audience during a briefing inside a meeting room at the MeadowView Marriott.

The Wellmont and MSHA boards of directors on Thursday signed a “term sheet” outlining moves toward a merger agreement.

That term sheet, according to Wellmont Board Chairman Roger Leonard, has no expiration date.

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Mental health, drug addiction targets of Wellmont/MSHA merger

BY ALLIE ROBINSON GIBSON | BRISTOL HERALD COURIER | Posted: Saturday, April 4, 2015 11:30 pm

Part of a proposed merged health system’s goals going forward is to provide more access for mental health and drug-addicted patients, the leaders of the region’s largest two health care systems said last week.

Alan Levine, president and CEO of Mountain States Health Alliance, and Bart Hove, president and CEO of Wellmont Health System, outlined some plans for a future combined health system at a press event Thursday afternoon.

“We look to expand and grow needed services — for instance, if you go into Southwest Virginia, there’s a true need for mental health and addiction recovery,” Levine said. “It’s something we’ve heard from the state, it’s something we’ve heard from our doctors. So there’s an opportunity to take some of the assets that we do have and infuse new and exciting opportunities to bring those services to the communities. We think this is a very positive move in helping sustain those communities, and those facilities.”

Hove agreed.

“Part of [the plan] is to provide mental access close by so that patients can receive the services they need ... in a quick fashion,” he said, echoing Levine’s thought to potentially take current facilities and use them for those services. “Maintaining those facilities and those locations and utilizing them appropriately is really in our best interest going forward.”

East Tennessee State University’s Quillen College of Medicine will lead the charge in determining exactly what services are needed throughout the region, as faculty there lead a patient assessment survey. After that, ETSU President Brian Noland said work can begin to treat those health needs.

“I think all of us in this room understand — this was part of Alan [Levine]’s proposal that got us excited — was to create a new focus on mental health and substance abuse,” said Roger Leonard, Wellmont’s board chairman. “We know that’s not just difficult for employers, but the burden is on families in the...
Currently, Mountain States has 116 beds dedicated to mental health patients — 84 at Woodridge Hospital in Johnson City, 20 at Russell County Medical Center and 12 beds dedicated to geriatric patients at Sycamore Shoals Hospital in Elizabethton, said MSHA spokeswoman Teresa Hicks.

Wellmont has a 40-bed capacity to address mental health and addiction services, according to Wellmont spokesman Jim Wozniak.

There are other facilities that offer those overnight services in the region, as well. Frontier Health, based in Gray, Tennessee, staffs two residential drug and alcohol recovery facilities, as well as several outpatient facilities and psychiatric treatment facilities.

The state-run Southwest Virginia Mental Health Institute has 162 beds for adult and geriatric patients, and is operated by the Department of Behavioral Health and Developmental Services.

Highlands Community Services in Abingdon, Virginia, offers outpatient facilities and Clinical Director Rebecca Holmes said Friday that she sees an increased need for closer bed capacity for both mental health and addiction recovery services in Southwest Virginia.

“Having beds would be extremely beneficial for the region to get qualified services for folks, particularly so they can get services at home and not have to drive so far,” Holmes said.

She said it is particularly difficult to find space for children’s services — the state facility for children, the Commonwealth Center for Children and Adolescents, is in Staunton, Virginia, a three-hour drive from Abingdon. There are private facilities that are closer, but they are still at least an hour away, she said.

There are some spots for adults in a facility in Bristol and Lebanon, Holmes said, and beds for substance abuse recovery in Galax and Lebanon. But, she said, one day this past week she was trying to find a spot at one of the recovery centers, which were both full. She said it’s the first time in a while she’s had trouble getting a placement for someone, but demand for those facilities is increasing.

A statewide bed registry instituted last year, following the tragic death of Sen. Creigh Deeds’ son, who attacked Deeds with a knife and then shot himself after a psychiatric bed couldn’t be found for him, has helped open up placement options, even if they’re further away, Holmes said. She said the tragedy resulted in more awareness across the state and bed capacity is no longer quite so scarce.

But it’s still needed here, she said.

“I think any capacity for service options we can make accessible for the people in our region is beneficial and worth pursuing,” she said.

She said she thinks the proposed merger between Mountain States and Wellmont would be good for behavioral health.

“`I think both sides of the aisle have long known they don’t operate independently of one another,” she
said. “Integrated care, simultaneously addressing all needs and issues in the region is beneficial. ... I’m excited this is a direction they are considering.”

Another part of patient health services going forward would be a new integrated patient data platform, officials said.

“It will be great for patients, because no matter where you go, whatever system they choose to use, whichever doctor they choose to see, their information will be available to that doctor,” Levine said. “This will be particularly important for patients who show up at the emergency department and may not have that information in critical care. That’s a really important thing to address.”

Doctors said they think that integrated system, once implemented, would improve patient care.

“That will not only help direct patient care, but is the framework for being able to look at a lot of patients and get that data to see improvements,” said Nelson Gwaltney, a physician at Elmont Health System. “It also is easier to get the information, as opposed to going to 50 different places and looking at a paper chart.”

The merger process is expected to take the remainder of the year to complete. During that time, the two health systems will function separately.
Mental health, drug addiction targets of Wellmont/MSHA merger

BY ALLIE ROBINSON GIBSON | For SwvaToday.com | Posted: Saturday, April 4, 2015 11:30 pm

Part of a proposed merged health system’s goals going forward is to provide more access for mental health and drug-addicted patients, the leaders of the region’s largest two health care systems said last week.

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“We look to expand and grow needed services — for instance, if you go into Southwest Virginia, there’s a true need for mental health and addiction recovery,” Levine said. “It’s something we’ve heard from the state, it’s something we’ve heard from our doctors. So there’s an opportunity to take some of the assets that we do have and infuse new and exciting opportunities to bring those services to the communities. We think this is a very positive move in helping sustain those communities, and those facilities.”

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East Tennessee State University’s Quillen College of Medicine will lead the charge in determining exactly what services are needed throughout the region, as faculty there lead a patient assessment survey. After that, ETSU President Brian Noland said work can begin to treat those health needs.
“I think all of us in this room understand — this was part of Alan [Levine]’s proposal that got us excited — was to create a new focus on mental health and substance abuse,” said Roger Leonard, Wellmont’s board chairman. “We know that’s not just difficult for employers, but the burden is on families in the region.”

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The merger process is expected to take the remainder of the year to complete. During that time, the two health systems will function separately.
JOHNSON CITY, Tenn. (AP) — Top administrators for rival health care providers Mountain States Health Alliance and Wellmont Health System have announced plans to explore a merger.

Mountain States CEO Alan Levine said combining the two systems would create a $1.8 billion health care nonprofit and would benefit patients, employees and the communities they serve.

"We can do more together, and we will do more together than we ever could as separate systems," Levine said. "There's one thing I can promise our region. There are difficult decisions that lie ahead — there are difficult decisions that lie ahead for health systems all over the country — but these decisions are going to be made by people who call this place home and have to live with the consequences of the decisions that we make."

Media report the merger would put 19 hospitals and 15,000 employees in southwest Virginia and northeast Tennessee under the control of one organization.

Mountain States and Wellmont plan to iron out details of the merger over the next several months, and then it would need approval from both states and from antitrust regulators before it is finalized.

The proposal calls for Levine to serve as executive chairman of the board of directors and Wellmont CEO Bart Hove to serve as the CEO of the new company.

"We know this announcement will spark many questions and a thirst for details," Hove said. "While the agreement to explore the merger provides a broad framework, there is still much to determine about how a new system would look and much planning to be done."

Two new members would be added to a combined board in addition to the president of East Tennessee State University serving as a nonvoting board member.

ETSU President Brian Noland said a merger would help the school compete for federal grants to improve the delivery of care.

"We will partner with the new system to strengthen the pipeline of physicians and health professionals, and to attract new research jobs," Noland said. "ETSU will also partner to conduct a health needs assessment of the area, to identify gaps and help with health disparities."

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ETSU's role in local health care will grow as result of merger

Nathan Baker • Apr 5, 2015 at 1:00 AM

nbaker@johnsoncitypress.com

A strengthened partnership between a merged Mountain States Health Alliance and Wellmont Health System and East Tennessee State University could be a boon for research opportunities and the general health of the region, college officials say.

With the region’s two health systems’ intentions to merge laid out on the table, including an expected role for ETSU leadership, many are hoping the quality of research, brought by combining the patient volumes of the two systems for instructional purposes, and the effect of those research findings will be a shot in the arm for Northeast Tennessee and Southwest Virginia.

Under the current plans for leadership, which are preliminary, the new hospital system’s board of directors would include a non-voting seat for the president of the Johnson City university.

By helping to steer the board’s decisions, the school could explore the region’s specific health problems and begin to work to address them, ETSU President Brian Noland said Thursday at a press conference called to announce the merger.

“This is a once in a lifetime opportunity,” Noland said. “It may not change things for this generation, but it will dramatically transform the next.

As part of the planning process for creating the new system, ETSU’s school of public health will work to create a health needs assessment for the area, looking at specific ailments suffered by the population. That assessment will be used to focus priorities and specialties of the new system, but the college doesn’t intend to end its involvement there.

With the partnership will come more opportunities for research, Quillen College of Medicine Dean Robert Means said Friday.

“There are a couple of different prospects for research,” Means said. “One of them is translational research, which is taking insights from labwork and applying them in medical practice or taking observations from practice and bringing those into a lab setting to test certain hypotheses.”

Partnering with the new system, which would set priorities for building new medical specialties into its offerings, would open up new areas of research for ETSU’s existing faculty.

“There are other areas that, if we had nearby resources available, we could develop programs,” Means said. “One of our basic scientists is an expert in the field of trauma to the nervous system, but we don’t have facilities available for him to conduct study in that field. A merged system with the proper equipment would allow for him to perform these studies.”
New resources and an expanded offering of specialized areas of study could help the college recruit top-level faculty in new fields. And, Means said, more researchers conducting work in prioritized areas could help draw some of the billions of dollars earmarked by the federal government, nonprofit organizations and pharmaceutical companies.

On Thursday, Mountain States CEO Alan Levine, who will serve as the executive chairman of the new system, said the combination would be united under one electronic medical records system.

With data from nearly all the patients from Marion, Virginia, to Sneedville, Tennessee, at their fingertips, it would allow researchers to more easily take the pulse of the entire region.

“You could look at the frequency of a particular problem, and try to assess how to better deliver care for preventing that problem,” Means said. “With ETSU’s partnership, with our school of public health, the largest nursing school, programs in clinical and rehabilitative sciences and the pharmacy school, we are well-suited to improve the general health of the region.”

The merger could help to stem the reduction of available residency physician training spots in the region, as well.

For the past few years, as hospitals saw their Medicare reimbursement rates fall under the Affordable Care Act and hospital utilization rates decline, medical institutions in the area have been reducing the number of on-the-job training spots for graduating medical students.

Hospitals receive federal funding from Medicare to train resident physicians based on the proportion of Medicare patients they serve, but in the past would pay out of pocket to train more residents above those for which they were reimbursed.

In 2013, Mountain States’ Chief Financial Officer Marvin Eichorn told the Johnson City Press the funding lost by hospitals would mean double-digit reductions in the number of residency positions in the system’s hospitals, because their costs could no longer be sustained.

According to the most recent count, Mountain States supported 139.5 residency positions, 107.5 of which were students from ETSU. Wellmont hosted 112 residents, a majority of which were also from ETSU.

“We’ve been cutting those positions, and we don’t like that, we’d like to go in the other direction,” Levine said during the merger announcement. “I look around the room and, I hate to say it, but I see a lot of gray hair in here. It’s very difficult to replace primary care doctors today, and that’s where ETSU and our other academic partners become important.”

Plus, Means said, doctors are more likely to practice in the communities in which they undergo residency training.

“Where you do post-graduate training, which is your residency and your fellowship, it’s the single strongest predictor of where you end up practicing,” he said. “With some of our sub-speciality fellowships, more than half are still in the area.
“Generally, the more residency positions in an area, you increase the number of physicians in an area, which goes to helping to avoid a doctor shortage.”

The increased opportunities could have an effect on student enrollment, but those effects may not immediately be seen because of the practices set for accepting students, Means said.

Medical schools operate under different practices than the regular university, which could enroll as many students as it wishes. The medical school is allowed to enroll a set number of students, currently 72, and must seek approval to increase that number. The last increase in class size was granted in 2011, when the Quillen College of Medicine increased from 66 students to 72.

“Before we do another expansion, we would have to demonstrate that we have the patient resources to train them and the physical resources in the school,” Means said. “We’re not anticipating a short-term change, but as things move farther along, it’s possible.”

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Merger faces state, federal scrutiny

GARY B. GRAY • APR 5, 2015 AT 1:00 AM

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One very key word appearing regularly in recent press releases and other official statements about the merger of Mountain States Health Alliance and Wellmont Health System is “potential.”

Representatives from both systems have been careful to explain they only have agreed to explore the creation of an integrated system. But all parties involved, including doctors, nurses, patients, as well as casual onlookers, understand a massive consolidation such as this can potentially create a monopoly.

Basically, hospitals must apply on the state level for a Certificate of Public Advantage, a stamp of approval ensuring no price gouging, adequate care, maintenance of facilities — in general, that the goods outweigh the bads.

State departments of health or commissioners can ask the attorney general to report potential reduction in competition to U.S. Department of Justice or the Federal Trade Commission if it is determined the lack of competition is too severe.

This would allow the federal commission to cancel the certificate and to pursue an antitrust suit, litigation the agency has won three times in the last two years: in Albany, Ga.; Toledo, Ohio; and Rockford, Ill.

Hospital officials often say they acquire other hospitals and physician groups to coordinate care, which is in keeping with the goals of the Affordable Care Act.

But the FTC has publicly stated mergers tend to reduce competition, and that doctors and hospitals can usually achieve the benefits of coordinated care without a full merger.

The commission uses a 100-year-old law, the Clayton Antitrust Act of 1914, to challenge some of mergers, and it has had success in recent cases.

“Hospitals that face less competition charge substantially higher prices,” Martin S. Gaynor, director of the FTC’s bureau of economics, told the New York Times in September.

Gaynor said price increases could be as high as 40 percent to 50 percent.

Leemore S. Dafny, a professor and health economist at Northwestern University who used to work at the commission, said the Affordable Care Act “has unleashed a merger frenzy,” and that antitrust enforcement was a powerful tool to slow the urge to merge.

A joint statement issued Thursday announcing the potential merger of Mountain States and Wellmont cited how the new system will address Tennessee and Virginia regulatory requirements in the months ahead, including the pursuit of Certificate of Public Advantage authorizations.

There can be no merger without this approval.

The potential merger affects hospitals, physicians and patients in Northeast Tennessee, Southwest Virginia, Southeastern Kentucky and Western North Carolina. Since 1992, about 20 states have enacted a similar form of state regulation.
In Tennessee, the health system holding the qualification is supervised by the state to ensure it continues to benefit the community by providing health care that is affordable, accessible, cost-efficient and high in quality. In Virginia, health systems can use a similar process as defined by a proposed statute introduced by Delegate Terry Kilgore, R-1st, that has been passed by the legislature and awaits the governor’s signature.

East Tennessee State University Quillen College of Medicine Dean Robert Means will serve on that state’s oversight board. Kilgore, who was not available for comment, also will serve on the newly created authorizing panel.

Tennessee requires both Mountain States and Wellmont to include a written copy of the cooperative agreement with the application, which is then submitted to the attorney general and Department of Health. These entities are responsible for “continually” overseeing the agreement, according to state law.

The department can, after consultation with the attorney general, issue the certificate if it determines the applicants have presented convincing evidence the benefits resulting from the agreement outweigh any disadvantages due to a reduction in competition.

Benefits examined include: Continued utilization of existing facilities; enhancement of the quality of hospital and hospital-related care; gains in the cost-efficiency; improvements in the use of hospital resources and equipment; and avoidance of duplication of hospital resources.

The department also evaluates the following potential disadvantages: adverse impact on patient quality, price and service; providers; problems with health care organizations or health insurance companies to negotiate fair payment and service arrangements; any reduction in competition among physicians, health professionals, providers or those furnishing goods or services.

The attorney general can report potential reduction in competition to U.S. Department of Justice or the FTC if it is determined the likely benefits no longer outweigh any disadvantages due to a reduction in competition. Should this happen, the commission can instruct the state to terminate the certificate of public advantage.

Pending legislation in Virginia authorizes the Southwest Virginia Health Authority to review proposed cooperative agreements submitted by two or more hospitals and to provide recommendations to the State Health Commissioner.

Similar to Tennessee, the authority can recommend for approval if “demonstrated by a preponderance of the evidence” the benefits likely outweigh the disadvantages. In this case, the commissioner is entrusted to continuously supervise any cooperative agreement to ensure compliance.

Under North Carolina’s statute, merging providers also can apply for a certificate and receive immunity from federal antitrust laws if they can prove the benefits outweigh the disadvantages. The Department of Health and Human Services has authority in North Carolina, subject to its attorney general, to keep a watchful eye on costs, quality, accessibility, competition, and the availability alternatives that are less restrictive to competition.

In February, the Washington, D.C.-based Urban Institute published a case study through interviews with relevant stakeholders to determine the impact of a Certificate of Public Advantage.

The authors reported the United States is spending more for healthcare with reference to other developed nations, which is variously attributed to high healthcare prices, salaries, staffing ratios, drug costs, supplies, and profit-maximizing behavior by private participants.

They also found price increases are the leading cause of healthcare spending increases, and that hospitals comprise the largest category of spending. The high prices are in part attributable to the negotiating leverage held by provider systems, particularly systems that have grown rapidly since 1990s.
The study revealed proponents of consolidation in healthcare markets contend the integration of providers brings higher quality service and cost savings, while reducing redundant services and facilities.

But data gathered in the study suggests cost savings from consolidation are often not realized for the consumer, because the well-muscled bargaining power of consolidated entities in contract negotiations with private insurance carriers almost always results in higher charges for services.

Again, this is exactly what a Certificate of Public Advantage, and the state-level scrutiny before and after it is awarded, is supposed to check.

Like Gary B. Gray on Facebook at www.facebook.com/garybgrayjc. Follow him on Twitter @ggrayjcpress.
Health care systems see positives for patients with merger

TONY CASEY • APR 5, 2015 AT 1:00 AM
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In seeking a merger with Wellmont Health System, of course Mountain States Health Alliance’s current president and CEO Alan Levine would say positive things about the coming together of the two biggest health care providers in the region.

But, a smaller regional health care system on the periphery of the Tri-Cities agrees the merger would benefit area patients. Chuck Whitfield, president and CEO of Laughlin Memorial Hospital, out of Greeneville, sees the merger as a chance to continue serving their community.

“Over the years Laughlin Memorial Hospital has experienced a very strong, cohesive relationship with both Mountain States Health Alliance and Wellmont Health Systems,” Whitfield said in a release. “We feel the announced merger will further strengthen our relationship from a patient referral perspective, as these two nationally recognized healthcare systems will enhance our area residents’ ability to obtain exceptional, high quality medical services from a wide spectrum of specialized medical services. We feel with the past relationships we have established with both Mountain States Health Alliance and Wellmont Health Systems that it will further enhance our current status as being Greene County’s healthcare provider.”

Though details are scant and the two bodies are just in a preliminary planning stage to pursue the needed certificate of public advantage from Tennessee’s attorney general and Department of Health, at Thursday’s press conference, leaders for both Mountain States and Wellmont were able to express their excitement and goals of improving the level of care patients can expect to receive.

“By creating this new system, we have the opportunity to better serve our patients in the region with a model that's very unique,” Levine said before going on to talk about widespread regional challenges. “It's incumbent on us to do something about the high rates of diabetes and heart disease and pulmonary disease and improve access to addiction and mental health services, and we need to improve literacy for our children.”

When asked about closing down hospitals with the merger, Levine said there were no plans to close down any hospitals.

“I want to be definitive about that,” Mountain States’ president and CEO said. “Every one of these hospitals are important points of access for our system.”

Nelson Gwaltney, a medical doctor with Wellmont, laid out his reasons as to why this would benefit patients across the coverage area of the two nonprofit companies. Having worked as a doctor for Wellmont of 30 years, he said the merger was a culmination of their collective goal to provide the best health care possible for the people they live with on a daily basis.

That would mean they have to have hospitals in rural areas as well as in more populated areas. Through their deeper resources, they make sure health care specialists are able to permeate those less populated areas.

Bart Hove, Levine’s counterpart at Wellmont, would become the single entity’s CEO and president if the merger is approved and Levine would become executive chairman of the board. He also emphasized the need to serve those areas in an efficient fashion.

“Maintaining those facilities in those locations and utilizing them is really in our best interest to be successful,” he said.
KINGSPORT — Wellmont Health System’s planned merger with Mountain States Health Alliance (MSHA) ends more than a decade of on-and-off competitive acrimony between the region’s two major health care providers.

There were periods of unity regarding some mutual causes, like non-smoking and healthy living initiatives. But all throughout the acrimony, MSHA appears to have held the upper hand.

MSHA was formed in 1998 when the Johnson City Medical Center purchased six hospitals from Columbia HCA. It has since grown to operate nearly 20 hospitals in Northeast Tennessee and Southwest Virginia.

Wellmont, after being formed in 1996 with the merger of Kingsport’s Holston Valley Medical Center and Bristol Regional Medical Center in Bristol, Tenn., tried to invade MSHA’s turf after the turn of the 21st Century.

In July 2000, Wellmont applied to the state of Tennessee for a certificate of need to build and operate a for-profit hospital in Johnson City, in the shadow of MSHA’s Johnson City Medical Center.

The proposed facility would have been a full service hospital, and Wellmont asserted additional capacity was needed in Washington County based on reports showing emergency room waits, delays in scheduling surgical and diagnostic procedures and the unavailability of hospital beds.

In 2007, Wellmont bought about 42 acres of land in Boones Creek off Interstate 26 for almost $5.8 million, with separate hopes of building an emergency room-type facility.

The courts and state rejected both of Wellmont’s attempts to build facilities and gain market share, and sided with MSHA.

Wellmont also tried unsuccessfully in 2012 to acquire Unicoi County Hospital in MSHA’s backyard.

MSHA has spent a lot of money to keep Wellmont from gaining market share, especially in Southwest Virginia. MSHA forked out nearly $200 million to build all-new facilities for Johnston Memorial Hospital in Abingdon in 2011 and Smyth County Community Hospital in Marion in 2012, the system said in its organizational profile.

With those events in the past, how the Wellmont-MSHA merger will play out is expected to be determined by an integration board composed of executive and physician members from both systems.

The two systems currently compete in cardiology, oncology, urgent care and physician/nurse recruitment. Both have Level I Trauma Centers. MSHA has the region’s only children’s hospital.

Combined, they employ nearly 700 physicians and field more than 400,000 annual emergency room visits. Both also win awards, but one challenge would be integrating the different health records systems of both providers.
Wellmont Board Chairman Roger Leonard says one central argument for the merger is that instead of competing, the new system could collaborate with East Tennessee State University and examine regional health issues such as obesity, infant mortality, smoking, prescription drug abuse and other addictions. MSHA President and CEO Alan Levine, scheduled to be executive chairman of the new organization, stresses the merger would also help address financial pressures in health care.

“... (It’s) in the form of declining (federal) reimbursement, shrinking in-patient volumes and new requirements from the government relating to coordinating care and a host of other issues,” Levine explained. “In many parts of the country, hospital systems are struggling to survive. We are seeking to thrive. ... Ultimately we’re not going to be measured by the patients we have in beds or the revenues. We’re going to be measured upon what generational things we leave this region to. ... Are they prepared to be educated and successful in their own lives?”

Tennessee Hospital Association President Craig Becker says a Wellmont-MSHA merger would also eliminate duplication of services.

“What I would hope is it would control some of the cost up there as well,” he added.

The merger announcement, for now, is getting support from area lawmakers.

“During this transition in health care delivery in America, the boards of both hospital systems elected, after careful consideration, to keep control of our hospitals local,” said U.S. Rep. Phil Roe, R-Tenn.

“I appreciate the hard work of both systems in working together to continue to provide access to quality care for our patients. I am also hopeful this merger will protect jobs in the region.”

Tennessee Lt. Gov. Ron Ramsey, R-Blountville, says he initially had reservations about the merger because of the lack of competition.

Afterward, Ramsey says he listened to business leaders advocating the move.

“I was sold on this. ... I do think this is the best decision for Northeast Tennessee,” Ramsey said of the merger. East Tennessee State University President Brian Noland is selling the merger by saying it could bring in more research dollars.

ETSU, said Noland, rings up anywhere from $38 million to $50 million annually for externally sponsored research.

“You look at the portfolio of research opportunities funded by the federal government,” said Noland.

“(National Institute of Health) is the best example. We have a diversity of NIH grants on campus. ... By having a larger base and unified patient record system and plugging our faculty in ... from a clinical perspective to bedside, that makes us more competitive in a national competition for research dollars.”

Both systems acknowledge their physician base is getting older and nearing retirement.

“Attracting and retaining talent is critical to the merger’s success,” said MSHA Board Chair Barbara Allen. When asked what could destroy the merger, Allen said both systems have to convince the public why this is important for the future.

“The reality is people are going to react negatively to change and they are going to react negatively to what is viewed as a lack of competition,” she pointed out.
The two systems are expected conduct business as usual separately during a due diligence process to see just how they could be integrated.

“A lot of the heavy lifting has been accomplished,” Allen said during Thursday’s news briefing on the merger.

During the transition — which apparently has no expiration date — Wellmont Board Chairman Roger Leonard promised both hospital system boards will put on a “full court press” to make the merger happen.

The plan is for a new board to direct the merged health system with a new name.

“Our boards are fiercely committed to seeing this through. ... We know it’s going to be an up-and-down journey,” Leonard said. “There are going to be some bumps in the road.”

For more go to www.becomingbettertogether.org.
Business Roundup: Wellmont, Mountain States Plan Merger

John Commins, April 6, 2015

The new, unnamed entity to be created by the merger of Wellmont Health System and Mountain States Health Alliance will be led by executives from both organizations. In other news, the FTC has issued the latest, and perhaps the final, shot in a three-year legal battle between itself and Phoebe Putney Health System.

Wellmont Health System and Mountain States Health Alliance announced plans to merge and create an integrated, locally governed healthcare network targeting health issues affecting people living in a four-state slice of Appalachia.

The boards of directors for both health systems last week unanimously approved an exclusive agreement to explore the merger. The decision caps more than a year of merger discussions by the two health systems, both of which are headquartered in Upper East Tennessee.

"Northeast Tennessee and Southwest Virginia disproportionately suffer from serious health issues—cardiovascular disease, diabetes, addiction, and access to mental health services, to name a few—and they must be addressed," said Alan Levine, president and CEO of Mountain States, who would become executive chairman and president of the combined system.

"The cost of this poor health is not sustainable," Levine said in prepared remarks. "By integrating, we can refocus our efforts from being measured based on how many patients we can admit to the hospital and how many ways we can duplicate these efforts, to how we measurably improve the health of our region while eliminating unnecessary costs and making healthcare more affordable. The people of this region deserve nothing less. We intend to demonstrate the merger's substantial specific potential in these areas."

Under the proposal, a new board would be created, have equal representation from both systems, and an additional two independent, jointly appointed members. The board will include a lead independent director who will be a Wellmont board appointee tasked with coordinating work with the executive chairman.

The president of East Tennessee State University will be a non-voting member of the board. ETSU will collaborate with the new system and focus on expanding opportunities to compete for research investment in the region, and bolster physician and allied health training.

The new board would direct the health system, which will get a new name, which has yet to be determined. One leadership team, composed of current executives from both organizations, would lead the combined system. The CEOs of both organizations would share leadership responsibilities.

"Together, we'll work alongside our employed and independent physicians to shape the future of healthcare by modeling effective clinical collaboration, building new community health solutions and
becoming a national model for rural healthcare delivery," said Bart Hove, president and CEO of
Wellmont, who would be CEO of the new system.

"As one system, our physicians would share best practices, collaborate to benchmark our outcomes
against the nation's best, and develop new high-level services closer to home."

With the negotiating agreement signed, the two systems will now work to clear regulatory hurdles in
Virginia and Tennessee, a process that is expected to be completed by the end of the year.

Based in Kingsport, TN, Wellmont Health System operates in Northeast Tennessee and Southwest
Virginia.

Mountain States provides care in Northeast Tennessee, Southwest Virginia, Southeastern Kentucky
and Western North Carolina. The not-for-profit system is based in Johnson City, TN, operates 13
hospitals serving a 29-county region.
Thursday's merger announcement from Mountain States Health Alliance and Wellmont Health System is only the beginning of a very long process. Welcome to News 5 at 6... I'm Rebecca Pepin. The merger has to be cleared by state and federal regulators. News 5 WCYB's Preston Ayres has been looking into the history of recent hospital mergers. Preston, does this have a lot of hurdles to clear? Preston: It does, and some of those may be tall hurdles to get over. Better Together ....that's how Mountain States Health Alliance and Wellmont Health System are presenting their merger to the community. But based on recent federal regulator decisions in other cases around the country, overseers may not agree with that slogan. Mountain States and Wellmont leaders say they are prepared for whatever federal trade officials ask as they move forward. We started digging into what exactly regulators look for in a hospital merger and found it's happening all over the country right now. Harvard Medical School reported there were 95 mergers, acquisitions, and joint ventures in 2014. Compare that to 98 in 2013. It's not-for-profits, companies like Mountain States and Wellmont that are combining the most. Medical consulting firm Kaufman-Hall, reported 87 of those 98 mergers in 2013 were between not-for-profit companies. As the Mountain States and Wellmont merger progresses over next year or more, both sides will have to file reports with the Federal Trade Commission and the Department of Justice plus state agencies. Competitors will also be allowed to weigh in on the merger. We asked one of the Mountain States attorneys about a timeline for those filings, and he told us they have only started this process and there is no calendar for when they hope to have those filings ready. Rebecca: So Preston, what happens in the short term for these systems? Preston, they remain separate companies. At least for the rest of the year, they are still direct competitors, which attorneys say can make things challenging as they share sensitive information.
Wellmont Health System and Mountain States Health Alliance have announced their selections for an integration committee that will help develop their proposed merger plan.

The two not-for-profit health care firms announced last week that they have agreed to explore the creation of a new, integrated and locally governed health system. The systems have now entered a due diligence period and are working to develop a definitive agreement.

This agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

One of the first elements of the process is the selection of an integration council. This group of executive and physician leaders is the working group charged with overseeing pre-merger planning. The integration council will have an equal number of representatives from Wellmont and Mountain States and make its recommendations to the joint board task force, which is the governing group that will consist of leaders from each health system.

The Wellmont council members are:

- Eric Deaton, executive vice president and chief operating officer
- Alice Pope, executive vice president and chief financial officer
- Todd Norris, senior vice president for system advancement
- Gary Miller, senior vice president of legal affairs and general counsel
- Dr. Dale Sargent, system medical director for hospitalist services and former chief medical officer

Wellmont still has one physician slot to fill.

The Mountain States council members are:

- Marvin Eichorn, executive vice president and chief operating officer
- Dr. Morris Seligman, executive vice president and chief medical officer
- Lynn Krutak, senior vice president and chief financial officer
- Tony Keck, senior vice president and chief development officer
- Tim Belisle, senior vice president and general counsel
- Dr. Sandra Brooks, a system board member and vice president of Watauga Pathology Associates
“We are excited to be taking the first steps in the integration planning process with our counterparts at Wellmont,” said Alan Levine, Mountain States’ president and CEO. “Both organizations have assembled a team of talented and knowledgeable leaders, and their focus is now on putting the pieces in place for a definitive agreement.”

Among other tasks, the council will conduct a cultural assessment and ensure a proper due diligence is conducted. The council will also coordinate the process for the attainment of the certificate of public advantage in Tennessee and similar administrative approval from Virginia.

“These are outstanding members of our organizations, and they will play an important role in developing a plan for integration of the new health system that will further advance the quality of care in our region,” said Bart Hove, Wellmont’s president and CEO. “These are exciting times for Wellmont, but we still have much work to complete in the process of planning how the organizations will integrate, once we obtain all legal clearances. But we are pleased to be making tremendous progress as we move forward on this beneficial initiative.”
NEW YORK — Wall Street indicated Monday it is paying attention to the planned merger between Johnson City-based Mountain States Health Alliance and Kingsport-based Wellmont Health System.

In a release, Fitch Ratings said it had placed MSHA’s BBB-plus bond rating on “rating watch” due to the announcement that MSHA and Wellmont have signed an agreement to explore a merger.

Fitch noted the two organizations are exploring a plan to combine assets and operations to form a new integrated health care system that will include a combined board. Both organizations are planning to enter a period of due diligence and will then submit a Certificate of Public Advantage to Tennessee and a similar application to Virginia by the end of August seeking approval of a merger, according to Fitch.

“Fitch will take rating action at the appropriate time as the process unfolds and clarifying details emerge on the new health system,” the Fitch release said.

Resolution of the rating watch will be tied to the completion of the merger and the treatment of MSHA’s debt post-transaction, Fitch concluded.
The region’s two hospital companies are wasting no time moving ahead with a merger plan. A key group with representatives from Mountain States Health Alliance and Wellmont Health System will meet as soon as this week, a hospital spokesman confirmed. The long-time Tri-Cities Region rivals announced last week they plan to seek government approval to merge into a new company. If their plan works, all the region's hospitals would be owned by one not-for-profit private company.

Spokesmen from both companies said a so-called "Integration Council" will meet this week, but they wouldn’t say when or where. Presumably, the council’s job will be to figure out how to combine the company’s facilities and services and what to do with duplications.

"Just like other private companies, our internal meetings are not open to media. However, we are eager to share with you the results of those discussions, especially as they impact the communities we serve," Teresa Hicks, spokesperson for MSHA. "We plan to hold a series of community forums and town hall meetings as well as media briefings to get input from the public and share our plans with the public directly. We are open to questions throughout the process and will answer them in earnest."

Currently, both systems employ a total of about 15,000 people.

It's a first post-announcement step in a long process of convincing government agencies at the state and federal level that the merger would not create an illegal monopoly. And that may not be easy.

The Federal Trade Commission just spent years trying to prevent a similar merger in Georgia before recently - and reluctantly - allowing the deal to finalize.

But that’s not stopping the yet-to-be-named new organization from moving forward in hopes of reaching what’s being called a "definitive agreement" that passes government muster, a process the companies say they hope to complete by the end of 2015.

The Integration Council will work with what's being called a Joint Board Task Force composed of members of the current boards of Wellmont and Mountain States to maneuver through the details of the merger process.

Both MSHA and Wellmont released the names of their delegates to the Integration Council:

Mountain States Health Alliance

Marvin Eichorn, Executive Vice President & Chief Operating Officer

Dr. Morris Seligman, Executive Vice President & Chief Medical Officer
The members of the Joint Board Task Force will be named by votes from the respective current system boards,” said MSHA spokesperson Teresa Hicks. “We will make those appointments public.”

But while the companies are releasing the names of the people who will serve on these key groups, they made it clear they plan to keep the groups’ meetings closed to the public and to other employees.

“As you might imagine, like any private organization, our internal meetings are not open to the public,” said Jim Wozniak in response to questions from News Channel 11 about whether news reporters could cover any of the joint meetings. “However, we are committed to sharing regular updates as we can that will be helpful to the community, and we want to work closely with you in that effort.”

MSHA and Wellmont said they’ll update the public on the progress of the merger through a combined website www.becomingbettertogether.org.
KINGSPORT - Planned merger partners Wellmont Health System and Mountain States Health Alliance announced Tuesday the members of an integration board to direct the merger process.

The health care systems, according to a prepared release, have now entered a due diligence period and are working to develop a definitive agreement. A term sheet inaugurating the merger plan was signed by the health systems' boards last week.

This agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

The Wellmont integration board members are: Eric Deaton, executive vice president and chief operating officer; Alice Pope, executive vice president and chief financial officer; Todd Norris, senior vice president for system advancement; Gary Miller, senior vice president of legal affairs and general counsel; and Dr. Dale Sargent, system medical director for hospitalist services and former chief medical officer. Wellmont still has one physician slot to fill.

The Mountain States members are: Marvin Eichorn, executive vice president and chief operating officer; Dr. Morris Seligman, executive vice president and chief medical officer; Lynn Krutak, senior vice president and chief financial officer; Tony Keck, senior vice president and chief development officer; Tim Belisle, senior vice president and general counsel; and Dr. Sandra Brooks, a system board member and vice president of Watauga Pathology Associates.

Among other tasks, the board will conduct a cultural assessment and ensure a proper due diligence is conducted. The council will also coordinate the process for the attainment of the certificate of public advantage in Tennessee and similar administrative approval from Virginia, according to the release. The merger also is expected to be considered by the federal government.

The merger would create a regional health care system approaching $2 billion in revenues and with more than 14,000 employees.
Congressman Roe says Wellmont-MSHA merger will be monopoly

BY Nate Morabito
April 8, 2015

SULLIVAN COUNTY, TN (WJHL) - Although top health executives said last week there were no downsides to the proposed Wellmont Health System-Mountain States Health Alliance merger, Congressman Phil Roe (R), District 1, says the end result will be a monopoly. Although he feels the proposed merger will ultimately pass state and federal hurdles, the retired doctor told us it won't be easy.

"That's an issue that both states in Tennessee and Virginia are going to have to answer and I think there are ways around it but it does create a monopoly in this area. There's no doubt about that," Rep. Roe said Wednesday. "I think it's going to get scrutinized very closely and it will have to be crafted very cleverly to meet the muster for not having a monopoly."

Congressman Roe said, in a perfect world, he prefers competition. However, he says the changing health care environment has eliminated some of the ability to compete.

"I like competition, I like where one system competes against the other, but with price controls you have now with hospital systems and the medical community it's difficult for them to compete because there's no free market system available," Rep. Roe said. "I was at Mountain States yesterday discussing this issue. About 70% of their patient load now are Medicare and Medicaid (patients). When you have that kind of patient mix, the prices are fixed."

Despite concerns about a monopoly, the congressman said he feels the people behind the merger have the community's best interests at heart.

"You got people in the room trying to work this out for the better of their community and I applaud them for it," he said. "It's a very difficult job."

Wellmont Health System and Mountain States Health Alliance will have to secure Certificates of Public Advantage in both Virginia and Tennessee and may also have to pass the test of the Federal Trade Commission.
Wellmont, Mountain States Name Members Of Integration Council

Posted: Thursday, April 9, 2015 10:15 am

As Wellmont Health System and Mountain States Health Alliance proceed with plans for integrating the two organizations, the companies have announced members of a committee that will help direct the multi-tiered process.

This group of executive and physician leaders is the working group charged with overseeing pre-merger planning, according to a news release.

The integration council will have an equal number of representatives from Wellmont and Mountain States and will make its recommendations to the joint board task force, which is the governing group that will consist of leaders from each health system.

The Wellmont council members are:

* Eric Deaton, executive vice president and chief operating officer;
* Alice Pope, executive vice president and chief financial officer;
* Todd Norris, senior vice president for system advancement;
* Gary Miller, senior vice president of legal affairs and general counsel;
* Dr. Dale Sargent, system medical director for hospitalist services and former chief medical officer.

Wellmont still has one physician slot to fill.

The Mountain States council members are:

* Marvin Eichorn, executive vice president and chief operating officer;
* Dr. Morris Seligman, executive vice president and chief medical officer;
* Lynn Krutak, senior vice president and chief financial officer;
* Tony Keck, senior vice president and chief development officer;
* Tim Belisle, senior vice president and general counsel;
* Dr. Sandra Brooks, a system board member and vice president of Watauga Pathology Associates.
"We are excited to be taking the first steps in the integration planning process with our counterparts at Wellmont," Mountain States President and CEO Alan Levine said in the release. "Both organizations have assembled a team of talented and knowledgeable leaders, and their focus is now on putting the pieces in place for a definitive agreement."

"These are outstanding members of our organizations, and they will play an important role in developing a plan for integration of the new health system that will further advance the quality of care in our region," Wellmont President and CEO Bart Hove said. "These are exciting times for Wellmont, but we still have much work to complete in the process of planning how the organizations will integrate, once we obtain all legal clearances. But we are pleased to be making tremendous progress as we move forward on this beneficial initiative."

Among other tasks, the council will conduct a cultural assessment and ensure proper due diligence is conducted, according to the release. The council will also coordinate the process for the attainment of the certificate of public advantage in Tennessee and similar administrative approval from Virginia.

The two not-for-profit companies announced on Thursday, April 2, that they have agreed to explore the creation of a new, integrated and locally governed health system.

The systems have now entered a due diligence period and are working to develop a definitive agreement.

This agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.
Noland: ETSU to play broad, crucial role in proposed health system

By N&N Editor on April 9, 2015

By Jeff Keeling

It’s been no secret that East Tennessee State University expects long-term gains in research funding from a Wellmont Health System-Mountain States Health Alliance merger. That was a selling point as proponents advocated such a move toward a united “academic health system.”

ETSU President Dr. Brian Noland speaks during the merger announcement. (Photo by Adam Campbell)

ETSU President Dr. Brian Noland speaks during the merger announcement. (Photo by Adam Campbell)

What wasn’t known in the lead up to Thursday’s official announcement that the systems hope to merge, though, was just how important ETSU’s role in laying the groundwork for that merger will be. The results of an ETSU-led health assessment this summer and fall will underpin the hospital systems’ pitch to regulators: that the benefits to patients and payors of a system aimed at addressing the region’s chronic health woes “upstream” of the hospital setting will outweigh any negative impacts caused by reduced competition.

“We will conduct a health assessment, a needs analysis of the region,” ETSU President Dr. Brian Noland told The Business Journal and Johnson City News & Neighbor April 3, the day after the merger announcement. “That needs analysis will then provide the pillars upon which interventions and research are based.”

Noland, who called the current situation “very fluid,” said Dr. Randy Wykoff, the dean of ETSU’s College of Public Health, will lead the assessment, with input from deans of other health-related ETSU colleges, including medicine, nursing and pharmacy. He met with Dr. Wilsie Bishop, ETSU’s vice president for Health Affairs, April 3 along with the deans of the respective colleges.

“What I’ve asked them to do is outline what they see as the critical questions for their respective colleges, and then all of us to meet together as a leadership group to put together our base to begin the conversations with Mountain States/Wellmont.”
While he didn’t yet know whether the still-separate health systems planned to help fund the initial research, exactly what data would be sought or how it would change faculty and staff’s scope of work, Noland seemed unruffled by the lack of details at this point. He said Wykoff and his colleagues already have much of the data that will probably be used.

“This is not something we’re not already engaged in and think about every day, but we need to get a sense of the research questions, the expectations, the lens that Mountain States and Wellmont have, so that our faculty and staff can get to work.”

Noland said he sees little reason to doubt that down the road, the “Health Improvement Organization” that would result from the merger will yield three distinct benefits to ETSU’s health sciences schools and divisions. In addition to increased research funding, these include the likelihood of more residency slots being funded and the ability to recruit more doctors in specific “sub-specialty” areas of care not currently available in the metro area.

More subjects, more coordination, vexing problems: A research bonanza.

That Northeast Tennessee and Southwest Virginia have relatively unhealthy populations is no secret. Since arriving as founding dean of the College of Public Health in 2006, Wykoff has sounded the drum about the region’s need to improve its population health. Noland said the planned merger sets the stage for far greater opportunities to fund and succeed in those efforts than was possible previously.

With the systems no longer competing and close to a million people within the new system’s area, “just the scale we’re working with is going to make us very competitive with organizations, individuals and other entities that are interested in rural health care, rural education and those issues that impact everywhere from Appalachia to places on the West Coast,” Noland said. “Rural poverty’s rural poverty. This helps us be very competitive in a national environment and a national market for research.”

Noland believes ETSU’s rural and population health focus on issues such as obesity, drug dependency, diabetes and others – and its broad array of health sciences programs matched by only one other school in the country (Ohio State University) – will create a funding niche that
will augment traditional research funding. Right now, ETSU handles an average of $38 to $50 million of externally funded research annually, depending on grant cycles.

“I think we can double that number easily within the next 10 years based upon the things that will present themselves here,” Noland said. He mentioned a handful of private foundations, the Appalachian Regional Commission and even corporations who do business in the region as potential funding sources beyond the traditional National Institutes of Health, National Science Foundation and other federal agencies that come to mind.

Noland also said he hopes to see the state of Tennessee step forward eventually with financial backing similar to what it has dedicated to academic health efforts in places like Memphis, Nashville and Knoxville. “This may not be something that we move this session, it may be something we look at downstream, but these two systems … staying here and looking to build together, that’s pretty good job protection and job creation for East Tennessee.”

Noland also expects the research focus and effort to improve population health to eventually help ETSU attract more sub-specialists, which will allow more people to have complicated medical issues treated close to home. “Those sub-specialties will be tied to the needs of the region, which link back to the mission. So every aspect of the institution is linked towards serving the needs of the people of the region. I call us the land grant institution for Appalachia, so as we grow research areas and grow sub-specialists, they will be in areas that are identified as areas of needs within the population health study that Dr. Wykoff will present.”

Noland said what makes it all possible – from increased sub-specialist recruitment and research funding to more capital available to pay for more residency slots – is the hospital systems’ decision to beat their proverbial swords into plowshares.

“When you have two of everything, but not enough of anything, there’s not the opportunity to provide the base for those things. By coming together, the entire game’s changed.”

Job one for ETSU, though, is the health study that will contribute to a “definitive agreement” the hospital systems present to Tennessee and Virginia for regulatory approval.
“Our challenge is going to be insuring that as this moves forward we are building and basing everything off of the population health work, the baseline study, that will be conducted by Dr. Wykoff and other faculty across campus,” Noland said. “As that identifies prescription drug abuse, then we’ve got to direct our resources towards that pillar. As that identifies diabetes, then that becomes an area that we align our resources to. I can’t say what the five, six, seven, eight areas are that we’ll identify, but we could all sit here and pretty quickly come up with the top four or five challenges that face the region. Dr. Wykoff will validate that and put it to a level of granularity upon which we can plan our hires and plan the development of our research.”
Bill seeks to update key law in MSHA / Wellmont merger deal

April 10, 2015

JOHNSON CITY, TN (WJHL) –A bill advancing in the Tennessee General Assembly aims to update a key state statute that will play a significant role in the planned merger of Mountain States Health Alliance and Wellmont Health System.

Tennessee Senator Rusty Crowe (R-Johnson City) sponsored a bill that updates the law governing the state’s COPA, or Certificate of Public Advantage.

“The statute as it is now is about 20 years old, and we wanted to make sure it did everything possible to protect the public in the case of a merger or an acquisition anywhere in the State,” Senator Crowe told News Channel 11.

MSHA and Wellmont announced last Thursday that, in merging, they would seek a COPA in Tennessee and similar state approval in Virginia.

“This is a collaboration between us and with our states – one in which we dedicate our efforts to high performance and containing cost growth for our employers and job creators, and where we invest in opportunities to improve health,” according to joint website created for the merger.
The COPA puts in place a process for on-going government oversight of hospitals and health system related to services offered and prices charged to the public. By winning state approval, MSHA and Wellmont hope to avoid an anti-trust challenge by the Federal Trade Commission. Both companies have said the government approval process could take the rest of 2015.

Senator Crowe said the decision to update Tennessee’s COPA law came as health systems in the Tri-Cities and across Tennessee consider mergers. “One of the major factors that had to be analyzed was that the health of the region would be the primary focus and that the benefits of a merger would outweigh any disadvantages of the merger relative to the competitive atmosphere that was there prior to the merger or prior to an acquisition,” Senator Crowe said.

Lately, the Federal Trade Commission has shown a willingness to fight merger deals when they create a monopoly. The FTC recently ended a lengthy attempt to stop a health care system merger in Georgia before finally allowing it to happen.

On Wednesday, U.S. Rep. Phil Roe (R-Tennessee) said he believes the merger creates a monopoly since all the hospitals in the Tri-Cities metro area will be owned and operated by one company. “I think its going to get scrutinized very closely and it will have to be crafted very cleverly to meet the muster for not having a monopoly,” Roe told News Channel 11. He said federal health regulations are forcing health systems across the country to consider merging in order to survive.

Senator Crowe’s legislation was approved by a vote of 7-2 in the Tennessee Senate Health Committee. The legislation now goes to the finance committee and, if it passes, to the full Senate for a vote. A House version of the bill still needs final approval as well.

“The legislation under consideration further clarifies the existing law,” said MSHA spokesman Teresa Hicks. “It also adds other important benefits that the department of health must consider in approving a COPA – specifically population health improvement and protecting the medically underserved – and it ensures active supervision of the COPA by the state.”

The merged company still has not been named.

The day before announcing the merger, MSHA and Wellmont signed what’s called a “term sheet” outlining the preliminary merger plan. News Channel 11 requested a copy of the term sheet, but MSHA refused to make the document public. “The term sheet is a preliminary document that serves as a starting point for our two organizations as we craft a definitive agreement,” Hicks said. “Once we reach a definitive agreement, we will be pleased to share the non-proprietary portions of that document.”

A proposed bill in Tennessee intends to update the law governing the state's Certificate of Public Advantage, a key statute that will significantly impact the planned merger of Johnson City, Tenn.-based Mountain States Health Alliance and Kingsport, Tenn.-based Wellmont Health System, according to News Channel 11 report.

Tennessee Senator Rusty Crowe (R-Johnson City) sponsored the bill.

"The statute as it is now is about 20 years old, and we wanted to make sure it did everything possible to protect the public in the case of a merger or an acquisition anywhere in the state," Sen. Crowe told News Channel 11.

MSHA and Wellmont stated that they would seek a COPA in Tennessee, according to the report. The COPA establishes a process for on-going government oversight of hospitals and health systems related to its services and prices. In gaining state approval, the systems hope to avoid an antitrust challenge by the Federal Trade Commission.

Sen. Crowe said the decision to update the COPA law came as the result of health systems in the Tri-Cities and across Tennessee contemplating mergers.

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Last week, U.S. Representative Phil Roe (R-Tenn.) said he thinks the Wellmont-MSHA merger will create a monopoly in the Tri-Cities metro area.

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More articles on legal and regulatory issues:
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Wellmont Health System, Mountain States Health Alliance Name Members of Integration Council

As Wellmont Health System and Mountain States Health Alliance proceed with plans for integrating the two organizations, they have selected members of a committee that will help direct this multi-tiered process.

The two not-for-profit companies announced on Thursday, April 2, that they have agreed to explore the creation of a new, integrated and locally governed health system. The systems have now entered a due diligence period and are working to develop a definitive agreement.

This agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

One of the first elements of the process is the selection of an integration council. This group of executive and physician leaders is the working group charged with overseeing pre-merger planning. The integration council will have an equal number of representatives from Wellmont and Mountain States and make its recommendations to the joint board task force, which is the governing group that will consist of leaders from each health system.

The Wellmont council members are:

- Eric Deaton, executive vice president and chief operating officer
- Alice Pope, executive vice president and chief financial officer
- Todd Norris, senior vice president for system advancement
- Gary Miller, senior vice president of legal affairs and general counsel
- Dr. Dale Sargent, system medical director for hospitalist services and former chief medical officer

Wellmont still has one physician slot to fill.

The Mountain States council members are:

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- Dr. Sandra Brooks, a system board member and vice president of Watauga Pathology Associates
"We are excited to be taking the first steps in the integration planning process with our counterparts at Wellmont," said Alan Levine, Mountain States' president and CEO. "Both organizations have assembled a team of talented and knowledgeable leaders, and their focus is now on putting the pieces in place for a definitive agreement."

"These are outstanding members of our organizations, and they will play an important role in developing a plan for integration of the new health system that will further advance the quality of care in our region," said Bart Hove, Wellmont's president and CEO. "These are exciting times for Wellmont, but we still have much work to complete in the process of planning how the organizations will integrate, once we obtain all legal clearances. But we are pleased to be making tremendous progress as we move forward on this beneficial initiative."

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Among other tasks, the council will conduct a cultural assessment and ensure a proper due diligence is conducted. The council will also coordinate the process for the attainment of the certificate of public advantage in Tennessee and similar administrative approval from Virginia.
While some may think a merger between Wellmont Health System and Mountain States Health Alliance is a foregone conclusion, it isn’t. The two health systems have merely agreed to a general set of principles that will govern future merger talks.

Having achieved a first step, Wellmont and Mountain States have agreed to develop a procedure to further explore seeking from Tennessee’s commissioner of health a certificate of public advantage (CPA), a requirement for the merger to occur.

A CPA is issued by the commissioner of health. There is a parallel system adopted in Virginia awaiting the governor’s signature. Each is based on a cooperative agreement among two or more hospitals.

The commissioner, with the assistance of Tennessee’s attorney general and reporter will issue a CPA if the two determine the applicants have demonstrated by “clear and convincing evidence that the likely benefits resulting from the cooperative agreement outweigh any disadvantages attributable to a reduction in competition that may result from the cooperative agreement.”

At this time, no cooperative agreement has been formulated. The agreement will be the product of a Council of Integration, a body comprised of individuals from both health systems whose membership was announced last Wednesday. Unfortunately, the council’s makeup is void of any public members. The body is comprised exclusively of exposable if it expects community support for its final product.

There are many in Kingsport who remember vividly when Holston Valley ceased to be a community hospital owned by any contributor to the United Fund. By legal manipulation, the ownership was transferred from the citizens of greater Kingsport to the hospital’s self-perpetuating board of directors.

While the council works on the agreement, the respective boards of each entity will continue to manage their respective health care systems independently of one another.

Once the cooperative agreement has been developed, the agreement will be filed with Tennessee’s Department of Health.

In Tennessee, the department will examine the cooperative agreement utilizing a five-point criteria to determine whether the new entity (1) enhances the quality of the hospital and hospital-related care; (2) preserves the hospital facilities in the service area; (3) gains a cost-efficiency of services by the new entity; (4) improves utilization of hospital resources; and (5) avoids a duplication of hospital resources.

Within the context of the above functions, the department will evaluate any disadvantages attributable to any reduction in competition likely to result from the cooperative agreement based on four areas of concern but more could arise, to-wit:

1) No adverse impact upon health maintenance groups and other similar entities in negotiating optimal payment and service arrangements with the merged hospital and physician groups.

2) The extent of any reduction in competition among physicians directly or indirectly from the cooperative agreement.
3) The extent of any adverse impact upon the quality of patient care and price of health care services.

4) The availability of less-restrictive competitive arrangements that would achieve the same benefits as the cooperative agreement.

Tennessee’s legislation, Hospital Cooperation Act of 1993, contemplates the involvement of the U.S. Department of Justice and the Federal Trade Commission once the application has been filed with the Department of Health for a certificate of public advantage and the attorney general of Tennessee becomes involved.

Intervention in the process by interested third parties is allowed and the interveners shall have standing under Tennessee’s Administrative Uniform Procedures Act (AUPA).

Public hearings before the department are provided, which will allow members of the general public to participate in the process.

The process also allows judicial review of the awarding of a CPA by the Chancery Court for Washington County under the AUPA. I say Washington County because that appears to be where the new entity will be based, however, jurisdiction might also exist in Sullivan County.

If at some future date the advantages no longer outweigh any disadvantages, the Department of Health can initiate proceedings to terminate the CPA under the AUPA.

Keep in mind the statute’s golden words that the two hospital entities must demonstrate “by clear and convincing evidence that the likely benefits resulting from the agreement outweigh any disadvantages attributable to a reduction in competition that may result from the agreement.”

The Federal Trade Commission has, in recent years, rejected and gone to federal court to prevent hospital mergers across the country. The Council of Integration created by Wellmont and Mountain States will need to examine with exceptional care and detail the pleadings and judicial decisions where the FTC has been successful.

Alan Levine, clearly a health care guru of national stature, will lead the new entity, if created, and was mindful of the FTC concerns in the press conference announcing the effort to merge.

While paying homage to the concept the merger will improve health care quality and value within the facilities operated by the two entities, Levine struck out into non-traditional needs where the merger can play a positive health care role in Southwest Virginia and Northeast Tennessee.

Levine spoke about addressing “deep-rooted community health issues,” including, but not limited to, obesity, hospital over-utilization, addiction, access to mental health services, and diabetes. Clearly, Levine is viewing the merger from a community wide approach and impact, not just concerned with interior modification of facilities or in-house delivery of services by the two entities. His vision is broader.

Wellmont and MSHA have entered into a process that can have a wide and positive impact on the region’s health care coupled with a dimension tailored to the future well-being of our collective communities. All of us need to follow with care and understanding the depth of the work of the Council on Integration where the cooperative agreement will find its structure.

In turn, the council will need to engage in a significant exercise of transparency during its deliberations if it expects the community to endorse its plan of merger.
KINGSPORT, TN (WJHL) -

Wellmont Health System and Mountain States Health Alliance held a joint media briefing Thursday afternoon to announce both systems' plans to merge.

The briefing took place in the Warriors Path Amphitheater in the Executive Conference Center at MeadowView Conference Resort and Convention Center, announcing that Wellmont would merge with MSHA to "exclusively explore the creation of a new, integrated and locally governed health system designed to address the serious health issues affecting the region and to be among the best in the nation in terms of quality, affordability and patient satisfaction."

Wellmont said a variety of officials will be at the briefing today to discuss the strategic options evaluation and the long-term beneficial impact it will have on Northeast Tennessee and Southwest Virginia.

A variety of officials were at the news conference, including Roger Leonard, board chair with Wellmont; Barbara Allen, board chair with Mountain State Health Alliance; Alan Levine, president and CEO of MSHA; Bart Hove, president and CEO of Wellmont; Dr. Jeff Farrow with MSHA; Dr. Nelson Gwaltney of Wellmont and East Tennessee State University President Dr. Brian Noland.

At the end of the briefing, officials with both health systems signed the vision statement.

News Channel 11 reported earlier this week that Alan Levine, the president and chief executive officer of Mountain States Health Alliance, sent a note to employees Tuesday afternoon after word got out about a press conference scheduled this Thursday with MSHA and Wellmont Health System.

Wellmont and MSHA released a joint news release Thursday morning with more information on today's merger announcement.

The following is the full release issued by the health systems:

Wellmont Health System and Mountain States Health Alliance have agreed to exclusively explore the creation of a new, integrated and locally governed health system designed to address the serious health issues affecting the region and to be among the best in the nation in terms of quality, affordability and patient satisfaction.

In a term sheet signed Wednesday, the boards of directors of both organizations agree to explore combining the assets and operations of Wellmont and Mountain States into a new health system. This decision follows more than a year of merger discussions, internal analysis within each system, thoughtful conversations in the community and unanimous votes by both boards to examine this option.

“We are excited about this proposed combination that will bring together the capabilities of both Wellmont and Mountain States, combined with a partnership in academics and with our states, to serve the region and result in unprecedented quality and value,” said Roger Leonard, chair of Wellmont’s board. “We are grateful to the thousands of community and business leaders,
physicians, employees and patients who have shared their thoughts throughout this process. It was deliberative and methodical, which led us unanimously to the right conclusion.”

“Our board is enthusiastic about this potential partnership,” said Barbara Allen, chair of the board for Mountain States. “We and the leadership of Wellmont all care deeply about the region we serve. We share a passion for improving our region’s health and our region’s economy. We look forward to working closely with the state of Tennessee and the Commonwealth of Virginia, as well as with our payors, to focus on the real drivers of cost reduction and quality-enhancement.”

A new board will be created, which will have equal representation from Wellmont and Mountain States, as well as two new independent, jointly appointed members. The board will also include a lead independent director who will be a Wellmont board appointee who will work with the board in coordination with the executive chairman. This is a best practice model frequently used by companies who have an executive chairman.

The president of East Tennessee State University will serve as an ex-officio nonvoting member of the board. The involvement of ETSU will focus on expanding opportunities to compete for research investment in our region, as well as enhancing physician and allied health training for the future.

This new board would direct the proposed health system, which would also have a new name. One leadership team, composed of current executives from both organizations, would lead the combined system. The CEOs of both organizations would share leadership responsibilities.

“Northeast Tennessee and Southwest Virginia disproportionately suffer from serious health issues – cardiovascular disease, diabetes, addiction and access to mental health services, to name a few – and they must be addressed,” said Alan Levine, president and CEO of Mountain States, who would become executive chairman and president of the combined system. “The cost of this poor health is not sustainable. By integrating, we can refocus our efforts from being measured based on how many patients we can admit to the hospital and how many ways we can duplicate these efforts, to how we measurably improve the health of our region while eliminating unnecessary costs and making health care more affordable. The people of this region deserve nothing less. We intend to demonstrate the merger’s substantial specific potential in these areas.”

An integration council with executive and physician leaders from both systems will be formed to further develop plans for a combined system during the next several months. Those plans will be in the best interest of clinical quality and the patients served, will demonstrate shared values and will honor commitments to employees and physicians.

“Together, we’ll work alongside our employed and independent physicians to shape the future of health care by modeling effective clinical collaboration, building new community health solutions and becoming a national model for rural health care delivery,” said Bart Hove, president and CEO of Wellmont, who would be CEO of the new system. “As one system, our physicians would share best practices, collaborate to benchmark our outcomes against the nation’s best and develop new high-level services closer to home.”

The systems now enter a due diligence period and will work toward developing a definitive agreement. The definitive agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.
In Tennessee, the organizations will pursue approval under the state’s COPA (Certificate of Public Advantage) statute. A COPA authorizes the parties to merge and directs the state to actively supervise the new health system to ensure that it continues to benefit the community by providing health care that is affordable, accessible, cost-efficient and high in quality. In Virginia, the health systems will pursue a process similar to a COPA that is defined by a proposed statute that has been passed by the legislature and awaits the governor’s signature.

During the next phases of due diligence, integration analysis, planning for potential integration and government approval, both Mountain States and Wellmont will continue “business as usual” as two separate and independent organizations.
The merger between Wellmont Health System and Mountain States Health Alliance announced earlier this month will have a number of effects on regional educational institutions like ETSU.

“Wellmont and Mountain States have enjoyed a long and productive relationship in which students who have been educated and trained at the university [ETSU] have become physicians or served in other clinical and nonclinical capacities in our health systems,” said Jim Wozniak, the media relations manager for Wellmont Health System, by email. “We see this interaction continuing and envision working with ETSU to increase the number of physicians and allied health professionals entering the workforce.”

Wozniak said Wellmont Health System and Mountain States Health Alliance are exploring the option of combining the two organizations’ resources to boost the quality of care offered to people in the region.

Dr. Robert Means, the dean of the Quillen College of Medicine, said the merger would provide a number of benefits to the university’s medical school.

Means said these benefits could include boosting faculty opportunities in scarce medical specialties, expanding the number of post-medical school training programs and potentially producing resources that could be invested in research.

Means said he was unable to predict how the merger might affect undergraduate programs at ETSU.

Another potential benefit of the merger is it would enable all ETSU’s schools in the health sciences to evaluate the health of the region as a whole, Means said. “Because we would essentially have all the inpatient activity in this region in one system, the data that that would potentially generate would be a great source for identifying interventions to change the community’s health.”

The companies will be working with ETSU in the future to conduct a regional health needs assessment and work hand-in-hand to tackle some of the region’s most prominent health issues, Wozniak said. “We will also work with academic institutions, such as ETSU, to strengthen the pipeline of physicians and allied health professionals and to attract research jobs and investments in our region.”

A Wellmont Health System-Mountain States Health Alliance merger would demonstrate the companies’ shared commitment to those who live and work in the region, Wozniak said. “We believe an integrated health system would be a significant step forward for patient care, wellness, affordability and health education in our region, in ways attainable only from the merger.”
Wellmont, MSHA name members of integration council

STAFF REPORTS | Posted: Thursday, April 16, 2015 3:25 pm

As Wellmont Health System and Mountain States Health Alliance proceed with plans for integrating the two organizations, they have selected members of a committee that will help direct this multi-tiered process.

The two not-for-profit companies announced on Thursday, April 2, that they have agreed to explore the creation of a new, integrated and locally governed health system. The systems have now entered a due diligence period and are working to develop a definitive agreement.

This agreement will be followed by a process to obtain, among other regulatory requirements, Tennessee and Virginia approvals of the merger, which will likely take through the end of 2015.

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MSHA / Wellmont merger has support of TN’s largest physicians organization

April 16, 2015

(WJHL) – A plan to merge the Tri-Cities’ two health systems into a new company controlling all the region’s hospitals has the support of Tennessee’s largest physician organization.

A leader with the Tennessee Medical Association told News Channel 11 the merger of Mountain States Health Alliance and Wellmont Health System, “If done properly… [it] could ultimately pave the way for the best healthcare in the state.”

MSHA and Wellmont plans announced merger plans almost two weeks ago. The deal faces state and possibly federal scrutiny. Congressman Phil Roe said he believes the merged system would create a monopoly.

But Douglas J. Springer, MD, immediate past President of the Tennessee Medical Association, said competition between the companies “created an environment of redundant programs.”

The Kingsport gastroenterologist said the companies must show state regulators that merging would allow them to become more efficient by reducing redundant services so they then “would be able to devote resources to building depth of service lines, creating centers of excellence and eliminating massive amounts of debt.”

“We need our local hospitals and health systems to be fiscally solvent to serve the community and continue giving patients access to care,” Springer said. “Combining strengths, assets and liabilities would enable these systems to focus more on quality, population health management, mental health programs and other services benefiting the entire region.”

MSHA and Wellmont started meeting last week to work out a definitive merger agreement. The companies said they hope to win a Certificate of Public Advantage in Tennessee and similar legislative approval in Virginia, a process they hope to have finished by the end of the year.

Fast-moving bill helps set stage for MSHA/Wellmont merger

GARY B. GRAY • APR 18, 2015 AT 1:00 AM

A bill introduced in the General Assembly early this week appears to add breathing room to the proposed Mountain States Health Alliance/Wellmont Health System merger.

The potential consolidation was announced April 2, and legislation introduced 10 days later is just a few steps away from becoming law.

House Rep. Jimmy Eldridge, R-Jackson, and state Sen. Mark Norris, R-Collierville, introduced the original caption bill, which increases from 30 to 45 days the period in which a consolidated hospital must file notice when terminating a cooperative agreement with another hospital.

In and of itself, this is rather banal. But the amendments speak volumes, including a section creating state policy to “lessen competition among hospitals.”

A call to Eldridge’s office revealed that Rep. Mike Harrison, R-Rogersville, signed on as a co-sponsor and has been carrying the bill with major amendments through the various committees.

Harrison, who serves Hancock and Hawkins counties, was not immediately available. An Eldridge staff member confirmed Harrison was acting as a result of the potential MSHA/Wellmont merger.

 Basically, laws require hospitals to apply on the state level for a Certificate of Public Advantage, a stamp of approval ensuring no price gouging, adequate care, maintenance of facilities — in general, that the goods outweigh the bads.

State departments of health or commissioners can ask the attorney general to report potential reduction in competition to U.S. Department of Justice or the Federal Trade Commission if it is determined the lack of competition is too severe. This would allow the federal commission to cancel the certificate and to pursue an antitrust suit.

“The way it’s been explained to me is it’s meant to change the laws to give the state more options,” Rep. Matthew Hill, R-Jonesborough, said Thursday. “The amendments continue to change, and they have a bunch of antitrust attorneys looking at it.”

The amended bill cleared the Senate Finance, Ways and Means Committee Wednesday and the bill is expected to hit that floor very soon. The amended bill also cleared the House Health Committee on Monday and has been referred to the House Finance, Ways and Means Committee, meaning that is the last hurdle before it reaches the House floor.

Hill and Harrison are members of both House committees.

One change tacked on to the original bill calls for an expansion of reviewable positive benefits that the Department of Health must consider for the cooperative agreement when weighing the goods and bads.
Another gives the Department of Health an extra month to grant or deny the certificate after application is made, and allows for “modification” of the agreement -- a step in between the state’s denial or withdrawal of the certificate — before termination.

Yet another “Establishes that it is the policy if this state to lessen competition among hospitals ...” The statement adds that the state must adhere to all regulations. But the language is oddly out of step with current law and obviously comes on the heels of the announcement.

Amendments also require the Department of Health to first seek “modification of the agreement with consent of the respective hospitals that are parties to the agreement” before it concludes the bads outweigh the goods and the certificate should be terminated. Also, the department would not be able to initiate case proceedings to terminate the certificate unless it pursues modifications, according to the amendments.

This is not how the law currently reads.

According to Jeffrey Spalding, the General Assembly’s Fiscal Review Committee director, the department also does not have the expertise to fully analyze certificate of public advantage certificates, so the amendment calls for extra staffing at a recurring cost of about $353,000.

This includes increases in personnel, benefits, office furniture, travel and contracting expert consultants.

*Like Gary B. Gray on Facebook at www.facebook.com/ garybgrayjcp. Follow him on Twitter @ggrayjcpress.*
Graduating nurses see opportunity in Tri-Cities health care future

By Olivia Bailey, Multi-Media Journalist, obailey@wcyb.com


Nursing graduates will be looking for a job soon. With the changes in health care in our region, will there be a job to go to once they graduate? Many of those graduating are hopeful about their futures.

One of the major concerns people in the area have with the pending merger between Wellmont and Mountain States Health Alliance is jobs, but these nurses say they're prepared.

When it comes to landing the perfect job for graduating nurses, it's not where, it's the why.

"I found out I was epileptic, so I really wanted to work with neuro," Graduating student Kelli Roberts said.

Roberts's classmate, Elizabeth Horton had a story of her own. "I've always liked nursing, but I have a 6-year-old now who was in the NICU when he was born, and I loved that environment. Ever since that time, I've wanted to try nursing."

Forty-two nurses will get their pins Wednesday from the Tennessee College of Applied Technology in Elizabethton. Ninety-five percent of the college's nursing graduates find jobs within a year.

"For the most part, we see that most of our students stay in this area once they graduate," Instructor Melissa Price said.

This year, the health care landscape is changing as a proposed merger between Wellmont and Mountain States Health Alliance begins to take shape. Much of the structure in those plans is still unknown, but these nurses are optimistic for their future careers.

"I think it's more encouraging because you know there are going to be more jobs. We're going to have more to choose from and we're not going to have to worry so much about not being able to find a job," Horton said.

The nurses' year-long training has included lecture and clinical work, focusing on many of the chronic issues seen here in our region the merger seeks to address. The training puts these nurses one step closer to working in the field.

"I'd like to work in the ER just because it's so fast-paced and things are constantly changing and you always have to be on your toes with it," Roberts said.

Despite the place or the structure, they're using their education to accomplish a nurses' ultimate goal.
"To take care of other people, to make their lives better," Horton said.

Those nurses will be pinned Wednesday at 11 a.m. at the Bristol Regional Medical Center. After passing their state boards, the nurses will be licensed and ready to work.
Alliance for Rural Health to reapply for Tobacco Commission funding

Posted: Sunday, April 26, 2015 9:48 pm

BY ALLIE ROBINSON GIBSON | BRISTOL HERALD COURIER

The Alliance for Rural Health plans to reapply for funding through the Virginia Tobacco Commission, although whether that will be this spring or in the fall is unclear.

Jake Schrum, president of Emory & Henry College and chairman of the alliance board, said the current plan is to not change the design of the project, which seeks to provide physician training and other health and professional education programs in Abingdon and Marion.

The alliance is a new entity formed from the former King School of Medicine turned Southwest Virginia School of Medicine. The King School of Medicine sought to locate an allopathic medical school in Abingdon, and originally secured $25 million in funding from the Tobacco Commission. Since that time, the project has changed perspective and scope, and in January, commission members asked that the alliance come back with a new application.

Schrum said the alliance, which boasts E&H, East Tennessee State University, the Edward Via College of Osteopathic Medicine, Mountain States Health Alliance, the Virginia Community College System and the towns of Abingdon and Marion as key partners, is looking for $19 million in grants. That is the amount that the original $25 million had been whittled down to when the newly formed alliance approached the Tobacco Commission back in January.

“Basically, they asked us to come in under a different name and a new project, but our plan is not to change the design of the project and the entities that are involved in the project,” he said, adding that the anticipated economic impact and impact to regional health care also have not changed. “It’s really a matter of getting the final application from them, filling it out, and making sure we have the same details we had for the other project. Not much has changed, except we’re going in under a different name and that has really nothing to do with the old King Medical School concept or even the Southwest Virginia Medical School concept.”

Schrum said he had hoped to have an application in front of the Tobacco Commission at its upcoming meetings in May. But the commission’s interim director, Tim Pfoal, said the alliance has not yet turned one in, and the deadline for the May meeting was in March.

Tariq Zaidi, interim president and chief operating officer of the alliance, said he’s waiting on commission staff to get an application to the alliance. He said the group wants to reapply for funding as soon as possible.

“We’re ready to go, we’re ready to move on the project,” he said.

He declined to specify the amount the alliance would seek, saying that he’ll know more once he sees the application and talks with the alliance’s partners.

Pfoal said he’s talked with alliance representatives about applying for an education grant, which is up for disbursement in May. There is about $3 million in that fund, he said. He added that the project could
also fit in the special projects committee, which has often been used for health care grants and other regional projects. Applications for that grant are due in July and awards are announced in September. The Tobacco Commission sets its budget in May, so the amount of funding in that account for September is unknown, Pfoal said, but this year it also had about $3 million.

Schrum said that everyone involved in the application process for the January meeting is still involved now.

“We’re hoping the Tobacco Commission will see this as a very, very important project to Southwest Virginia and we’ve put together an alliance that is truly amazing for this area,” he said.

Zaidi said all of the partners are strongly committed to the alliance.

“They have a commitment not only to health care but to the alliance,” he said. “And they’re determined to have an impact on health care in the future.”

He said the region lags behind the state and the nation in terms of access to health care and education for health care professionals, and that is what the alliance hopes to address going forward.

Schrum said the grant is important to the success of the venture.

“I have to say I don’t know whether the alliance would be able to be held in place if we didn’t get a significant grant from the Tobacco Commission to kind of signal to everyone in this part of Southwest Virginia that this is for real,” he said. “I think there are some people that say, ‘They’re going to do this anyway, so why should we do it?’ No, we’re not going to do it anyway. There will be a lot of things we wouldn’t be able to do, or we’d have to do on our own, and I’m not sure the alliance would stay together in the same way that it has. I’m hoping that we would have the $19 million catalyst from the Virginia Tobacco Commission.”

Zaidi also addressed the possible merger between Wellmont Health System and Mountain States Health Alliance, saying the alliance members haven’t talked much about what that could mean for them — Mountain States is a partner, but Wellmont is not — but that it should be good in the end.

“I think creating a system that will be that incredible size with an emphasis on research … plays well and in parallel to what we’re trying to do,” he said. “I’m pleased in the direction the merger has taken and hope to work with the larger institution.”

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The battle must end: Health care officials say merger is best route to serve community

NATHAN BAKER • APR 26, 2015 AT 1:00 AM
nbaker@johnsoncitypress.com

In merging the Tri-Cities’ two health care nonprofits, Alan Levine says he hopes to tear down the curtains pulled in place over the past two decades separating communities and people into one hospital system or the other.

“If you’re locked in this unhealthy, toxic relationship, you’re basically just surviving, there’s no research and no innovation,” Levine told the Johnson City Press’ editorial board Thursday.

Levine is currently the CEO of Johnson City-based Mountain States Health Alliance, and is set to be the executive chairman of the board governing the new system created by a merger with Kingsport’s Wellmont Health System.

To hear Levine describe it, told by the executive who took his position in January 2014 to replace retiring longtime CEO Dennis Vonderfecht, the regions’ health systems have been engrossed by a life-size, medically themed game of Risk since the mid-1990s.

When one system expanded into new territory, the other launched a campaign to block the move, either with a nearby acquisition or with regulatory maneuvers. When one purchased a new piece of equipment, the other, by competitive necessity, bought one too.

But an unfavorable roll of the dice has set the two providers against a major health care system restructuring, political posturing over government-paid benefits and declining rates of hospital visits. The inter-competitive atmosphere is no longer sustainable, Levine said.

“We know those things are coming down dramatically, so we need to be more innovative in how we grow,” he said. “How do we better invest our capital to create new ways to serve the community?”

The answer, for Levine, Wellmont’s CEO Bart Hove and the governing boards of both systems, is a direct merger of the assets and liabilities of the two nonprofits.

The combined $1.8-billion system could then turn to compete with outside systems by offering research opportunities to prospective physicians and new areas of specialized treatment to patients, Levine and others have said.

Agreed to in theory by both systems earlier this month, the merger is now in the hands of a equally representative integration council, a group tasked with planning the logistics and writing a definitive agreement.

The two systems then plan to apply to regulatory authorities in both Tennessee and Virginia for approval of the merger, which is intended to signal to federal regulators that the single system is under appropriate scrutiny.
In receiving the certificate of public advantage in Tennessee and its recently created equivalent in Virginia, the new system will be held to certain controls on prices and expansion to protect rate payers and other competitors from any unfair advantages.

By following legal precedent set by other mergers, Levine said he expects the COPA application to make a strong case to state authorities and avoid intervention by the Federal Trade Commission.

“There’s no way one agency can be an expert on every health care market in the country,” he said. “I believe the states know best. They’re in the best position to regulate this region properly.”

As for the makeup of the combined system, Levine previously said difficult decisions lie ahead, but Wellmont physician and board member William Smith said they haven’t been made yet, because of legal restrictions.

“Absent good information, people’s speculation runs rampant,” Smith told the editorial board. “The truth is, (the systems’ attorneys) will not let us talk about it. We have to be really careful, so we don’t violate federal tenants. People think this decision is farther along, but we really haven’t even talked about some of these things yet.”

Many of those tough decisions would have faced the systems regardless of whether they merge with each other, with outside systems or stayed independent, Levine added.

“Sometimes it’s easy to blame the merger for things that would happen anyway,” he said, pointing to Mountain States’ sold assets, layoffs and facility consolidations over the past few years. “These types of things happen anyway. It’s misplaced to lay at the foot of the merger what hospitals are doing anyway.”

In five months, the integration council is expected to finalize the definitive agreement, then seek approval from the states, which should take through the end of 2015.

Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook: www.facebook.com/jcpressbaker.
KINGSPORT — How Kingsport’s two main hospitals — especially Indian Path Medical Center — will be used in the future isn’t yet completely on the radar screen of the main players trying to merge Mountain States Health Alliance with Wellmont Health System.

Last August, when a business group began pushing for a Wellmont-MSHA merger, Kingsport Mayor Dennis Phillips predicted Wellmont’s Holston Valley Medical Center would remain intact.

“I think Indian Path (owned and run by MSHA) would have to be looked at,” Phillips said then. “I’m not sure how many empty beds are at Holston Valley, but I do not think there would be any loss of employees because of the number of patients served would be the same ... or could they separate the duties between the two hospitals so they can maintain both of them?”

Earlier this month, the Wellmont and MSHA boards signed a “term sheet” outlining plans for a merger agreement, but that deal won’t be finalized until a “definitive agreement” is reached.

So when MSHA President and CEO Alan Levine and Wellmont President and CEO Bart Hove recently met with members of the Times-News Editorial Board to sell the merger plan, they weren’t ready to give specifics about what the merged system will look like from a facilities standpoint in Kingsport.

“Indian Path is a critically important asset to Mountain States and it will be in the new system,” promised Levine, who is on track to be the executive chairman of the merged system. “We’ve been communicating with our team members and the medical staff there to make sure how important it is ... (but) right now the only thing we’re talking about is getting to a definitive agreement. We’re not having any discussions about what happens post-merger. We are still two separate organizations and we want to make sure we are complying with all of those rules and laws. And until the state of Tennessee says ‘Yes we are in agreement’ and we’ve signed an agreement to that effect, we’re not having any specific discussions about that. Also, we don’t want to make any decisions about services without the input of the physicians. So we’re forming a clinical council which will be part of the new system, That council will be providing us guidance that will be evidence driven. It’s important we keep focused on what we’re doing now, which is to get to a definitive agreement, but Indian Path is a very important hospital.”

Still, Levine noted MSHA continues to make capital investments in Indian Path.

MSHA is putting $2.8 million into Indian Path, with a new linear accelerator for the cancer center and improvements to the hospital’s surgical area.

“We have also made $2 million worth of investments in normal equipment replacements and facility improvements during the last fiscal year,” MSHA spokeswoman Teresa Hicks said in an email.

Indian Path’s importance to Kingsport includes these facts — 648 employees, 431 physicians and medical staff members, and nearly $86 million in net patient service revenue in the most recent fiscal year.
When asked if Indian Path might be utilized as a mental health center of the merged system, Levine responded: “I don’t think that’s even being discussed at this point.”

As for Holston Valley Medical Center, Wellmont President and CEO Bart Hove pointed out it’s a busy facility.

“We continue to review Holston Valley and invest in Holston Valley ... believe it or not we have a lot of labor needs going forward,” Hove commented.

One key sales pitch for the merger made by both Levine and Hove is recruiting the next generation of physicians.

“Physician recruiting has become a big challenge for the United States nationally, but particular for our region, given some of the challenges we face here,” said Levine. “There’s a shortage of physicians, probably 50,000 physicians or more in the country today. The number of Americans over the age of 55 is actually going to double in the next 20 years. We’re out there competing for doctors ... with places like Atlanta, Charlotte, New York. When you’re a doctor and you’re trying to decide where you want to practice, and you have a choice between a thriving research-based, academic linked system or an environment where you have ... two systems that are struggling to keep up with the status quo and you really have no linkage to research that compares to other markets, where do you think those doctors are generally going to want to go? Doctors by definition are people who want to learn, who are science driven and ... you have to provide an environment where they can enrich themselves and I don’t mean financially. I mean knowledge wise.”

Both health systems say they have been cutting back on physician residency slots. Medical specialties, said Levine, are also a concern. For instance, pediatric specialists have come and left the region because they didn’t have support. Plus, the region has no center to treat burns. The merged system would also like to enhance mental health and addiction recovery services, according to Levine.

Then there is a general goal of improving the region’s health by working with East Tennessee State University’s College of Medicine, Hove and Levine both stressed.

“Doing the same thing we’ve always done, we don’t think we’re going to get a better result,” Levine noted. “… The knock on us is we’re not a healthy region. The knock on us is we have two health systems that are driving up cost through some of the replication and redundancy ... instead of working collaboratively to address some of these larger health issues. That’s what employers told us as we talked to them.”

The worth of both systems, said Levine, used to be based on how many patients they admitted instead of settings that result in lower cost.

“All the (health insurance) payers are saying ‘We don’t want patients admitted to the hospital anymore, we want them in outpatient and lower cost settings,’” said Levine.

“The revenue picture is not getting better. It’s not just that volume is declining. It’s what the payers and Medicare are willing to pay on a per unit basis. It used to be when the federal government cut, we could sustain that based on volume growth and admit more patients. Now you have volume reductions over time and the payment system is declining.”
The merger’s definitive agreement is dependent upon Tennessee and Virginia regulatory approvals, which will likely take through the end of 2015.

Bills have been passed in Tennessee and Virginia so the organizations can pursue a Certificate of Public Advantage, or COPA. A COPA authorizes the parties to merge and directs the states to actively supervise the new health system to ensure that it continues to benefit the community by providing health care that is affordable, accessible, cost-efficient and high in quality.

“That COPA becomes a constitution of the new system,” Levine insisted. “It memorializes what our intentions are. It is an opportunity to paint the picture for the rest of the country on what health systems should be doing.”

For more about the planned Wellmont-MSHA merger go to www.becomingbettertogether.org.
Rural hospitals struggle to stay open, adapt to changes

OSCEOLA, Mo. — After 45 years of providing health care in rural western Missouri, Sac-Osage Hospital is being sold piece by piece.

Ceiling tiles are going for 25 cents, the room doors for an average of less than $4 each, the patient beds for $250 apiece. Soon, the remnants of the hospital that long symbolized the lifeblood of Osceola, population 923, will be torn to the ground.

Sac-Osage is one of a growing number of rural U.S. hospitals closing their doors, citing a complex combination of changing demographics, medical practices, management decisions and federal policies that have put more financial pressure on facilities that sometimes average only a few in-patients a day.

"Money just kept drying up," said Chris Smiley, a former operating room nurse who was the last chief executive of Sac-Osage and is now overseeing its liquidation.

A total of 50 hospitals in the rural U.S. have closed since 2010, and the pace has been accelerating, with more closures in the past two years than in the previous 10 years combined, according to the National Rural Health Association. That could be just the beginning of what some health care analysts fear will be a crisis.

An additional 283 rural hospitals in 39 states are vulnerable to shutting down, and 35 percent of rural hospitals are operating at a loss, according to iVantage Health Analytics, a Portland, Maine-based firm that works with hospitals.

Most of the rural hospital closures so far have occurred in the South and Midwest. Of those at risk, nearly 70 percent are in states that have declined to expand Medicaid coverage under the federal Affordable Care Act, although some experts are hesitant to draw a cause-and-effect correlation.

In October 2013, Kingsport-based Wellmont Health System shuttered Lee Regional Medical Center in Pennington Gap, Virginia, pointing to "reimbursement cuts associated with the Affordable Care Act, extremely low community use of the hospital and a lack of consistent physician coverage," as the motivation behind the decision.

On Thursday, more than a year-and-a-half after the closure, the Lee County Commission voted to purchase the building with the intentions of reopening at least a portion by November.

Both Wellmont and Mountain States Health Alliance, of Johnson City, also cited the changes to the health care landscape in announcing their decision to pursue a merger last month.

Big city hospitals have been closing at about the same rate as rural ones during the past five years, but an abundance of alternatives in most major metropolitan areas typically lessons the effect on patients. When a rural hospital closes, people may have to travel dozens of miles to reach the nearest hospital, an inconvenience that potentially is a matter of life or death.

When 18-month-old Edith Gonzalez choked on a grape in August 2013, her parents rushed to Shelby Regional Medical Center in their hometown of Center, Texas, unaware that the hospital had closed.
several weeks earlier. Their daughter was dead by the time an ambulance had taken her to the next nearest hospital, more than 45 minutes later.

In rural North Carolina last summer, 48-year-old Portia Gibbs died from cardiac arrest after waiting 90 minutes for a medical helicopter to arrive. She could have been at a hospital in less than half that time, had not the Vidant Pungo Hospital in Belhaven closed just six days earlier.

Her death prompted Belhaven’s mayor to walk 273 miles to the nation's capital in an attempt to raise awareness about the plight of rural hospitals. Mayor Adam O'Neal plans to lead a similar march June 1 with supporters from at least 41 states.

The city now is trying to acquire the old hospital through eminent domain and is seeking $6 million in federal loans to re-open it. Since Gibbs' death, O'Neal said, several others have died before they could make it to farther-away hospitals, including a 16-year-old boy hurt in a farming accident in April.

"We have people needlessly dying," O'Neal said.

Declining populations and stagnant economies make it hard on rural hospitals. Rural areas tend to "have older, poorer, sicker populations," said Michael Topchik, senior vice president of iVantage.

That means they often have a higher percentage of patients covered by Medicare and Medicaid, a pair of government health care programs that pay a lower reimbursement rate than private-sector insurers. Hospitals that rely heavily on those government programs have been particularly hard hit by federal budget cuts and provisions in the 2010 federal health care law that reduced charity care reimbursements and changed other payment criteria.

At Sac-Osage, poor management also played a role in its financial ruin. Some of its doctors, for example, never were approved to be paid by particular insurance companies. And it lost what some staff estimate was $1.5 million to $2 million because the clinic failed to send out thousands of bills to insurers and patients since 2012.

For state Rep. Warren Love, a local cattle rancher who tried to help save Osceola's hospital, its passing now seems sort of inevitable.

"Everything has evolved to the big gets bigger and the littlest disappears," Love said, "and that's really what's happened with these hospitals."
**Health merger joint task force is named**

Wellmont Health System and Mountain States Health Alliance leaders Wednesday announced appointments to a joint board task force as work continues to explore the creation of a new, integrated and locally governed health system.

The joint board task force is a committee of the two boards acting as a liaison and providing information and guidance about developments in the transaction exploration process. Totaling 14 members, the task force is composed of an equal number of representatives appointed by the Mountain States and Wellmont boards. The members represent a cross section of regional and physician leadership from the community, incorporating those with experience in governance, administration, business and strategy — both in health care and in the business community.

Thirteen members of the task force hail from Kingsport, Johnson City, Bristol and Elizabethton in Tennessee and one is from Virginia. Gary Peacock, of Marion, is a member of the Mountain States board of directors, former chair of the Smyth County Community Hospital board of directors and retired senior vice president of Royal Mouldings.

The task force is primarily responsible for providing a conduit to the existing boards of directors about the progress being made as the two systems undertake due diligence and transaction analysis and pursue a potential definitive agreement.

In early April, the health systems announced creation of an integration council, which is the working group charged with overseeing pre-merger planning. The integration council will make its recommendations to the joint board task force, which is the governing group that will consist of leaders from each health system.

From now until the potential transaction closes, Wellmont and Mountain States will remain separate and independent organizations, conducting “business as usual.” Their respective boards of directors continue to govern the operations of each health system separately and independently, until all regulatory approvals have been granted and the merger is complete.

A board for the new proposed system will be appointed prior to the completion of the merger.

For more information on the process and the appointments, visit www.becomingbettertogether.org.
The history of local health care feud is very telling

You’ll have to pardon me if I seem a little cynical when Mountain State Health Alliance’s CEO Alan Levine laments, “The battle must end,” regarding his firm’s decades-long war against Wellmont Health Systems. Citing the “current toxic relationship,” he claims the proposed merger of the competing systems would be a boon to the area and the best thing for both firms.

Perhaps he should ask himself how the present situation came to be.

By my recollection it was in large part his firm that has for the past several decades fought at every turn to keep Wellmont from encroaching on what MSHA viewed as its turf.

At least that is how it appeared to many of us in Johnson City.

Once upon a time there were signs in yards and along many of Johnson City’s roadways touting the public’s interest in a proposed Wellmont hospital — an effort MSHA officials fought like their very life depended on it.

Then when it defeated Wellmont’s effort, MSHA built its own new hospital, Franklin Woods.

It seems that for all those years the option to cooperate with and develop a symbiosis with Wellmont was considered to be the worst option for MSHA, not the best one.

It would tell us what we needed, and it would provide us with what they wanted to, nothing more.

In the course of all this, MSHA has had millions upon millions to spend on a seemingly continuous expansion of individual facilities, as well as its regional presence.

There was nothing holding them back from coordinating or cooperating with Wellmont, nor from allowing East Tennessee State University’s Quillen College of Medicine to participate in research or clinical practice with Wellmont.

I should say, there was nothing holding it back besides its own ill will.

So now when MSHA officials cry the blues, I’m afraid I don’t have much sympathy for them. The result of this merger, if it happens, will be the so-called “efficiencies of consolidation.”

To the region’s patients that means fewer options and higher costs. To health care workers it means cut hours and layoffs.

Regardless of what Johnson City’s power brokers proclaim, it is clearly not in the public interest to have one system controlling the health care for this region.

I for one intend to contact the Nashville authorities and let them know my opinion, and I hope many other readers will do so as well.

LARRY DONOVAN
Johnson City
It’s time to break the cycle of obesity in Tennessee

“Obesity is a public health crisis. If the rate of obesity and overweight continues at this pace, by 2015, 75 percent of adults and nearly 24 percent of U.S. children and adolescents will be overweight or obese,” — Dr. Youfa Wang, John Hopkins University study.

The second shocking statistic is: Tennessee has an obesity rate of 33.7 percent of adults which qualifies us for fourth from the top of all U.S. states, just behind Mississippi, West Virginia, and Arkansas. Not great company to be in. The statistics don’t get any better for our children, who rank fourth among high school students, fifth among 10- to-17-year-olds and 18th among 2- to- 4-year-olds in other states.

If the following frightens you, so be it, because you need to know the true impact of our being overweight and obese. Medical personnel now use the term “epidemic” to describe the seriousness of the situation. For your information, a Body Mass Index (BMI) of 30 which equates to a person being 30 pounds overweight means that nearly 35 percent of Americans, or 78.6 million, are obese. The Centers for Disease Control and Prevention (CDC) in its report cites: “Obesity-related conditions include heart disease, stroke, type 2 diabetes and certain types of cancer, some of the leading causes of preventable death. The estimated annual medical cost of obesity in the U.S. was $147 billion in 2008 U.S. dollars; the medical costs for people who are obese were $1,429 higher than those of normal weight.” The medical costs today have escalated to $210 billion. Again the CDC points out that some groups are affected differently by obesity, for example: “Non-Hispanic blacks have the highest age-adjusted rates of obesity (47.8 percent) followed by Hispanics (42.5 percent), non-Hispanic whites (32.6 percent), and non-Hispanic Asians (10.8 percent). Obesity is higher among middle age adults, 40-59 years old (39.5 percent) than among younger adults, age 20-39 (30.3 percent) or adults over 60 (35.4 percent) adults.”

Some of you may be offended by my drawing a comparison of Tennesseans with those in California, but the following is a true experience. My wife and I a few years ago flew into San Francisco. Upon landing and while walking through the “San Fran” terminal on our way to retrieve our luggage, I asked my wife, “Look around at these people; what’s different about them?”

We both noticed that a large majority of them were thin and appeared to be in good physical shape no matter their age. The statistical truth is California ranks as the 46th state in obesity while Tennessee is at the other end of the scale at fourth. There is obviously a difference in lifestyle between those of us in Tennessee and in California. We noticed during our stay that a significant number of San Franciscans walk the hills of San Francisco with no struggle at all.

Let me get right to the point. We need to change our lifestyle to a healthier one. Will that be easy? No. Can it nevertheless be done? Yes, if we decide to do so.

It is up to each of us. The crisis of being overweight and obese extends to our children as well. The difference is, we parents must help our children change their lifestyle. They rarely can do that alone. Let’s look at what the experts suggest we can do to lessen the crisis.

The “National Heart, Lung and Blood Institute” suggests a clear direction for families to take to help defeat the emergency: “Following a healthy lifestyle can help you prevent overweight and obesity. Many lifestyle habits begin during childhood. Thus, parents and families should encourage their children to make healthy choices, such as following a healthy diet and being physically active.
Make following a healthy lifestyle a family goal: Follow a healthy eating plan. Make healthy food choices, keep your calorie needs and your family's calorie needs in mind, and focus on the balance of energy IN and energy OUT; focus on portion size. Watch the portion sizes in fast food and other restaurants. The portions served often are enough for two or three people. Children's portion sizes should be smaller than those for adults. Cutting back on portion size will help you balance energy IN and energy OUT; be active. Make personal and family time active. Find activities that everyone will enjoy.

For example, go for a brisk walk, bike or rollerblade, or train together for a walk or run; reduce screen time. Limit the use of TVs, computers, DVDs, and videogames because they limit time for physical activity. Health experts recommend 2 hours or less a day of screen time that's not work- or homework-related; and keep track of your weight, body mass index, and waist circumference. Also, keep track of your children's growth.

Every one of these goals is reasonable and achievable … if … we are determined to do it. Let me suggest a reality: Your life may depend on it! Get started today.

Mr. Ferguson is a Kingsport attorney. You can sign up for his monthly newsletter by going to www.simplyputonline.com.
Sound Off: What are your questions about the Mountain States/Wellmont merger?

JOHNSON CITY PRESS • MAY 5, 2015 AT 1:00 AM

It’s undoubtedly the biggest story of this year. News that the two largest health care systems in our region are putting aside decades of competition and acrimony to become one entity is still reverberating inside business offices and corporate headquarters across Northeast Tennessee and Southwest Virginia.

Area Chambers of Commerce and local business leaders are happy to see Johnson City-based Mountain States Health Alliance and Kingsport’s Wellmont Health System agree to merge. They believe, as the leaders of MSHA and Wellmont have proclaimed in recent weeks, that the two systems are indeed “better together.”

The thought is the combined $1.8-billion system would be in a better position to compete with outside systems by offering research opportunities to prospective physicians and new areas of specialized treatment to patients, including mental health services.

As Press Assistant News Editor Nathan Baker reported last week, the particulars of the merger are now being hashed out by an integration council with representatives from both MSHA and Wellmont.

Once the logistics are worked out, the two systems will ask regulatory authorities in both Tennessee and Virginia to approve the merger.

In receiving the certificate of public advantage (COPA) in Tennessee and its recently created equivalent in Virginia, Alan Levine, the CEO of MSHA, says the new system will be held to certain controls on prices and expansion to protect rate payers and other competitors from any unfair advantages.

Levine expects the COPA will make a strong case to state authorities and help avoid intervention into the process by the Federal Trade Commission.

MSHA and Wellmont officials say there will be public input in the COPA process. That means state officials will be able to hear from citizens who might have concerns and reservations about the merger.

It will be the unenviable duty of the two systems to inform and educate the public about the deal.

We are sure there will be many questions about the merger. Already, we have heard from many readers who would like to hear Wellmont/ MSHA officials explain how this merger doesn’t create a monopoly.

They would also like to know what changes to facilities and staffing might we expect if the two systems are combined.

All good questions, and we expect MSHA and Wellmont will answer them in the coming months.

This paper plans to help in facilitating that important dialogue between area citizens and the two health care systems.

What would you like to see answered about the MSHA/ Wellmont merger before the state decides on the deal? Send your questions or comments about the merger to mailbag@johnsoncitypress.com.

Please include your name, telephone number and address for verification.
Legislation luncheon focuses on working together for best interests

BY ALLIE ROBINSON GIBSON | BRISTOL HERALD COURIER

ABINGDON, Va. — Agriculture, job creation and health care dominated a legislative wrap-up discussion Friday during a Washington County Chamber of Commerce luncheon.

State Sen. Bill Carrico, R-Galax, Delegate Israel O’Quinn, R-Bristol and Delegate Todd Pillion, R-Abingdon, each answered questions at the event, held at Johnston Memorial Hospital in Abingdon.

Carrico answered a question about how best to sustain rural hospitals by again stressing his belief that expanding Medicaid coverage in Virginia would cost the state more in the long run.

“When the federal government says it’s good for you, you’ve got to be careful,” he said. “...We’re getting close to health care outspending education [in Virginia].”

Pillion agreed, saying, “It’s hard for me to think about expanding a system that’s already broken.”

Carrico brought up the potential Wellmont Health System and Mountain States Health Alliance merger, saying it’s expected to be successful and that the legislature put measures in place to try to protect patients going forward.

“I think no matter what side you’re on of the merger, the bills we put in place to protect the consumer [should],” he said. “We’ll see how the merger ... goes.”

The lawmakers also addressed agriculture, answering a question about how to impress upon other legislators in the state the importance of farming in Southwest Virginia. Carrico pointed out that Carroll County is a leader in the nation in pumpkin production, and the high altitudes of Southwest Virginia are ideal for growing Christmas trees.

“With ag being No. 1 in Virginia, the vast majority of the General Assembly understands agriculture is crucial,” O’Quinn said. “The legislators tend to look in their area and think that’s what agriculture is and all it is ... What we have to continue to work toward is an appreciation for all parts of ag as part of a whole.”

Carrico said each legislator focuses on creating jobs, and advanced manufacturing is a part of that.

“What we have here is a chicken and an egg problem,” O’Quinn said. “We’ve lost businesses because we didn’t have the skill sets those companies wanted. You have to properly position yourself for the long game.”
Part of that, the legislators said, is through the Center of Excellence for Advanced Manufacturing, which is funded through the Virginia Tobacco Commission and spearheaded by the Southwest Virginia Alliance for Manufacturing.

“I’d like to see the Center of Excellence be a [place where] a coal miner can go and repurpose his skills and be ready for the manufacturer that comes in,” Pillion said.

All three said the past legislative session went smoothly, compared to years past, notably, last year, when the budget held up the session working together for several days.

“We work together for the good of Southwest Virginia,” Pillion said. “We have the best interests of Southwest Virginia in our hearts and that’s what we’re working for.”
Wellmont, Mountain States CEOs discuss potential merger benefits

Kingsport, Norton hospitals may be repurposed to offer more services

Posted: Wednesday, May 6, 2015 11:28 pm

BY DAVID MCGEE | BRISTOL HERALD COURIER

BRISTOL, Va. — Hospitals in Norton and Kingsport could be repurposed to offer a wider range of services as part of a proposed merger between Wellmont Health System and Mountain States Health Alliance.

MSHA CEO Alan Levine voiced that option Wednesday during an editorial board meeting with the Bristol Herald Courier. Levine, Wellmont CEO Bart Hove, MSHA board member Dr. David May and Wellmont board member Dr. William Smith spent about 90 minutes discussing relevant issues to the process, which was jointly announced April 2.

Saying they can’t yet discuss specific changes that might occur should the long-time competitors join forces, Levine cited the two communities where each operates a hospital. Wellmont operates Mountain View Regional Medical Center in Norton while MSHA operates Norton Community Hospital. Kingsport has Holston Valley Medical Center, run by Wellmont, and Indian Path Medical Center is part of Mountain States.

“If you look at the market as it exists today, it’s a funny market. In Washington County [Tennessee], probably 80 percent of the patients come to one of our hospitals. If you go to Kingsport, probably 65-70 percent go to Holston Valley and Bristol, probably 80 percent come to Bristol [Regional Medical Center]. The market share in these main hospital markets is already very concentrated at these core hospitals,” Levine said.

“The only thing that’s really changed here is Kingsport and maybe Norton, where you have direct competition. It’s [Kingsport] really not that competitive, because Indian Path has about 13 percent of the total admissions and Holston Valley has 65-70 percent. Not much is really changing here except — by putting Indian Path and Holston Valley in the same system — you can actually repurpose things and provide services that aren’t available.”

Levine said MSHA’s new Franklin Woods Hospital in Johnson City is a relevant example. It operates a short distance from MSHA’s flagship Johnson City Medical Center, but has become known as a surgery center.

“I think there are other services we are not currently offering that we can [offer]. In these markets, I think there is some real opportunity to look at the bed complement and how we’re using those beds and adding other services we’re currently not offering,” Levine said. “In Norton, there is no long-term care facility; there is no psych [psychiatric care]. There is opportunity there to look at acute capacity and see if it makes sense to bring some additional new services up there.”

Since the merger plan was announced, both sides have touted the potential benefit of expanding mental health care, drug addiction treatment and other services not prevalent in the Mountain Empire.
Their meeting with the newspaper occurred on the same day that all three Tri-Cities chambers of commerce endorsed the merger. Each chamber board met with both healthcare systems and, after a thorough examination, all three ultimately agreed that the proposed merger offers the best opportunity for the advancement of health care in the region, according to a joint written statement.

Citing the considerable assets and strengths of each system, officials of all three chambers also feel the merger would generate economic growth in the region as a comprehensive health care system and would lend itself to retaining and recruiting business.

One of the chief public concerns raised by the merger announcement was whether facilities might close and employees lose jobs if the two systems no longer compete. Officials have repeatedly said there are no plans to close hospitals, but say it’s too early to know about other changes.

“There will be a shift and there will be job growth as well,” May said. “As new services are brought in, as we move services to areas that need them.”

Both sides are legally bound not to collude and make those types of decisions unless state departments of health in Tennessee and Virginia approve the plan.

“Once the merger is approved by all of the regulatory agencies, then you get down to the basics of how are you going to operate this organization in an effective way,” Hove said.

Smith added that they look forward to having those types of discussions. They even stopped short of using the word monopoly, which is another frequently asked topic.

“The first question people ask is ‘aren’t you creating this big — I won’t use the M-word [monopoly]?’ And the answer is no,” Levine said. “We’re not asking to merge and go on our merry way. We’re asking to merge and submit ourselves to a partnership regulated by the states.”

An integration council of executives and physicians from both sides has been working through details of the merger process at a “fast and furious pace and is on schedule to present a definitive agreement to both boards of directors by August, Hove said.

If approved at that stage, the agreement would then go to state regulators for review and Hove said the hope is that all of the approvals would occur by the end of 2015.
Wellmont, MSHA announce board members for joint merger task force

Wellmont Health System and Mountain States Health Alliance leaders have appointed a joint board task force as work continues to explore the creation of a new, integrated and locally governed health system.

The joint board task force is a committee of the two boards acting as a liaison and providing information and guidance about developments in the transaction exploration process, according to a written statement. Totaling 14 members, the task force is composed of an equal number of representatives appointed by the Mountain States and Wellmont boards. The members represent a cross section of regional and physician leadership from the community, incorporating those with experience in governance, administration, business and strategy – both in health care and in the business community.

The group is primarily responsible for providing a conduit to the existing boards of directors about the progress being made as the two systems undertake due diligence and transaction analysis and purse a potential definitive agreement.

Wellmont’s joint board task force members are:

- Dr. Nelson Gwaltney, of Bristol, Tennessee, a member of the Wellmont board of directors, president of Highlands Physicians Inc. and a general surgeon on the medical staff of Bristol Regional Medical Center;
- Bart Hove, of Kingsport, Tennessee, president and CEO of Wellmont Health System;
- Roger Leonard, of Bristol, Tennessee, chair of the Wellmont board of directors and a senior adviser to England & Company;
- Roger K. Mowen Jr., of Kingsport, Tennessee, a member of the Wellmont board of directors and retired senior vice president of global developing businesses and corporate strategy for Eastman Chemical Company;
- Dr. Doug Springer, of Kingsport, Tennessee, a gastroenterologist on the medical staff of Holston Valley Medical Center, a member of the Wellmont board of directors and immediate past president of the Tennessee Medical Association;
- Dr. David Thompson, of Bristol, Tennessee, an internal medicine physician with Wellmont Medical Associates in Bristol, who also practices in Abingdon, Virginia, and is a Wellmont board member and chairman of the Wellmont Medical Associates board of directors; and
- Keith Wilson, of Kingsport, Tennessee, who owns a secondary residence and a farm in Scott County, Virginia, a member of the Wellmont board of directors, publisher of the Kingsport Times-News and president of Northeast Tennessee Media Group.

Mountain States’ joint board task force members are:
• Barbara Allen, of Johnson City, Tennessee, chair of the Mountain States board of directors and general manager of Stowaway Storage, a family-owned business in Johnson City;

• Bob Feathers, of Kingsport, Tennessee, a member of the Mountain States board of directors and president and CEO of Workspace Interiors, Inc.;

• Alan Levine, of Johnson City, Tennessee, president and CEO of Mountain States Health Alliance;

• Dr. David May, of Elizabethton, Tennessee, a member of the Mountain States board of directors and immediate past president of the medical staff at Sycamore Shoals Hospital;

• Dr. Rick Moulton, of Johnson City, Tennessee, medical director of clinical integration for State of Franklin Healthcare Associates and chairman of the SoFHA patient centered medical home committee;

• Gary Peacock, of Marion, Virginia, a member of the Mountain States board of directors, former chair of the Smyth County Community Hospital board of directors, and retired senior vice president of Royal Mouldings; and

• Clem Wilkes, Jr., of Johnson City, Tennessee, a member of the Mountain States board of directors and co-manager of Citizens Investment Services, a subsidiary of Citizens Bank Tri-Cities.

From now until the potential transaction closes, Wellmont and Mountain States will remain separate and independent organizations, conducting “business as usual.” Their respective boards of directors continue to govern the operations of each health system separately and independently, until all regulatory approvals have been granted and the merger is complete.

A board for the new proposed system will be appointed prior to the completion of the merger.

“During this current phase, our primary focus is on due diligence, confirming the transaction’s potential for substantial cost-savings, quality-of-care enhancements and other community benefits, pursuing a definitive agreement and laying the groundwork for creating the new system,” said Bart Hove, president and CEO of Wellmont. “The joint board task force and integration council will focus on preparing for what we expect will be a highly successful integration. Once the new health system is formed post-closing, a new board will take over the responsibility for governance and overseeing the implementation of an exciting vision for the future of health care in this region, which will be crafted with significant input from our physicians, team members and the community.”

“Some of the tasks before us include due diligence, a more detailed analysis and quantification of the transaction’s substantial benefits for the community, culture and governance audits and preparations for crafting our application for a certificate of public advantage in Tennessee and a similar approval in Virginia,” said Alan Levine, president and CEO of Mountain States. “We view the certificate of public advantage and the regulatory process as an important memorialization of our commitment to the people of this region, and we’re excited to begin working toward that goal. We are definitely committed to seeking public input, and this is the next order of business.”

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Wellmont, Mountain States announce joint board task force

POSTED: 4:36 PM May 06 2015    UPDATED: 4:46 PM May 06 2015

There’s another step forward in the planned merger between Wellmont Health System and Mountain States Health Alliance. Leaders of the two companies have appointed a joint board task force.

It’s a committee of the two boards acting as a liaison, and providing information and guidance to the boards about developments in the transaction exploration process. There are 14 members, an equal number appointed by the Mountain States and Wellmont boards. The members represent a cross-section of business and physician leadership from the community.

The group is primarily responsible for providing a conduit to the existing boards of directors about the progress being made as the two systems undertake due diligence and transaction analysis and pursue a potential definitive agreement.

Wellmont’s joint board task force members are:

- Dr. Nelson Gwaltney, of Bristol, Tennessee, a member of the Wellmont board of directors, president of Highlands Physicians Inc. and a general surgeon on the medical staff of Bristol Regional Medical Center;
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- Roger Leonard, of Bristol, Tennessee, chair of the Wellmont board of directors and a senior adviser to England & Company;
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• **Clem Wilkes, Jr.**, of Johnson City, Tennessee, a member of the Mountain States board of directors and co-manager of Citizens Investment Services, a subsidiary of Citizens Bank Tri-Cities.

Until the potential transaction closes, Wellmont and Mountain States will remain separate and independent organizations, conducting “business as usual.” Their respective boards of directors continue to govern the operations of each health system separately and independently, until all regulatory approvals have been granted and the merger is complete.

A board for the new proposed system will be appointed prior to the completion of the merger.

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KINGSPORT — Wellmont Health System and Mountain States Health Alliance (MSHA) announced Wednesday they have appointed a joint board task force to explore the creation of a new, integrated and locally governed health system.

The 14-member joint board task force is a committee of the two boards acting as a liaison and providing information and guidance about developments in the transaction exploration process, the two health care providers said in a prepared release.

Earlier this spring, leaders of both providers signed a “term sheet” outlining intentions to merge. A so-called “definitive agreement” would seal the deal.

“The group is primarily responsible for providing a conduit to the existing boards of directors about the progress being made as the two systems undertake due diligence and transaction analysis and pursue a potential definitive agreement,” the release noted.

Wellmont’s joint board task force members are: Dr. Nelson Gwaltney, of Bristol, Tenn., a member of the Wellmont board of directors, president of Highlands Physicians Inc. and a general surgeon on the medical staff of Bristol Regional Medical Center; Bart Hove, of Kingsport, Wellmont’s president and CEO; Wellmont board Chair Roger Leonard of Bristol, Tenn. Wellmont board member Roger Mowen of Kingsport; Dr. Doug Springer of Kingsport, a gastroenterologist on the medical staff of Holston Valley Medical Center, a Wellmont board member and immediate past president of the Tennessee Medical Association; Dr. David Thompson, of Bristol, Tenn., an internal medicine physician with Wellmont Medical Associates in Bristol, who also practices in Abingdon, Va., and is a Wellmont board member and chairman of the Wellmont Medical Associates board of directors; and Keith Wilson, of Kingsport, a member of the Wellmont board, publisher of the Kingsport Times-News and president of Northeast Tennessee Media Group.

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Until the potential transaction closes, both providers will remain separate and independent organizations, conducting “business as usual,” according to the release.

A board for the new proposed system will be appointed prior to the completion of the merger.

“During this current phase, our primary focus is on due diligence, confirming the transaction’s potential for substantial cost-savings, quality-of-care enhancements and other community benefits, pursuing a definitive agreement and laying the groundwork for creating the new system,” said Hove. “The joint board task force and integration council will focus on preparing for what we expect will be a highly successful integration. Once the new health system is formed post-closing, a new board will take over the responsibility for governance and overseeing the implementation of an exciting vision for the future of health care in this region, which will be crafted with significant input from our physicians, team members and the community.”

Levine, who would lead the merged system, said: “Some of the tasks before us include due diligence, a more detailed analysis and quantification of the transaction’s substantial benefits for the community, culture and governance audits and preparations for crafting our application for a certificate of public advantage in Tennessee and a similar approval in Virginia. We view the certificate of public advantage and the regulatory process as an important memorialization of our commitment to the people of this region, and we’re excited to begin working toward that goal. We are definitely committed to seeking public input, and this is the next order of business.”

For more, go to www.becomingbettertogether.org.
Health systems set joint task force for merger talks

NATHAN BAKER • MAY 8, 2015 AT 1:00 AM
nbaker@johnsoncitypress.com

Setting designees for what will surely be a full slate of meetings in leather chairs at conference room tables, the leaders of Wellmont Health System and Mountain State Health Alliance announced Wednesday the makeup of a joint task force created to provide information and guidance to the systems’ two boards of directors as progress continues toward a merger of the region’s health care providers.

The 14-member task force is made up of 11 board members, the CEOs of each system and a director of a Johnson City physicians’ group.

If the systems were to merge, another board of directors would be appointed before the completion of the merger made up of executives from both organizations with equal representation from both systems, two new independent members and, in a non-voting position, the president of East Tennessee State University.

“So some of the tasks before us include due diligence, a more detailed analysis and quantification of the transaction’s substantial benefits for the community, culture and governance audits and preparations for crafting our application for a certificate of public advantage in Tennessee and a similar approval in Virginia,” Alan Levine, Mountain State’s CEO said in an emailed release. “We view the certificate of public advantage and the regulatory process as an important memorialization of our commitment to the people of this region, and we’re excited to begin working toward that goal. We are definitely committed to seeking public input, and this is the next order of business.”

In April, shortly after the systems announced their intentions to explore the prospects of a merger, they set the members of a 12-member integration council, created to design a functional plan for the merger.

In five months, the integration council is expected to finalize the definitive agreement, then the systems will seek regulatory approval from the states, which should take through the end of 2015, leaders estimate.

In a separate, yet related development, the three Chambers of Commerce representing the Tri-Cities and their nearby communities issued a press release Wednesday supporting the merger.

“The business community has scrutinized the proposed merger and believe the merger of two local systems into one will enhance the health of the people who live here and will generate economic growth to the region,” the letter, citing the Kingsport, Bristol and Johnson City/Jonesborough/Washington County chambers of commerce read. “Each of the two systems brings assets and strengths that complement the other.”

In October, the Johnson City Chamber publicly supported the health system merger, two weeks after a joint announcement by the three Tri-Cities boards stating the groups were still considering stances on the proposal.
Follow Nathan Baker on Twitter @JCPressBaker. Like him on Facebook: www.facebook.com/jcpressbaker.
Education can create heroes and end poverty
BY ALAN LEVINE

Most of us haven’t heard of Terence Avery Green. A father of four boys and known affectionately as “T-Biscuit” by his friends in South Fulton County, Georgia, Terence Avery Green was a hero who had never met a stranger. Dedicating his life to protecting others, however, he met his fate on March 4.

Green was a 22-year veteran of the Fulton County Police. Doing what he loved to do — protecting others — he was shot, ambushed really, by a gunman who had been terrorizing a neighborhood on a rampage. Green’s legacy as a father was cemented by the words spoken by his son at his funeral: “He would give you the shirt off his back, his last dollar. ... I am honored to be his son. He was a hero to me and my three brothers.”

Such words by a young man can seem so hard to say at that moment, but yet, they have such meaning. “He was a hero.” Those words should be easy to say, because recognizing a hero is usually not very complicated business.

And yet, we make it so hard.

As we have seen in the last few weeks, protests — often violent — have played out against the police and other historically respected institutions as communities lash out with their accusations of institutional racism against the police. This is a strange assertion, particularly in the case of the recent protests in Baltimore, where businesses and even a senior center, were burned.

You see, half the police officers charged in Baltimore were African-American, as is most of the political leadership. But, still, the claim of racism is also understandable, given how many different ways poor Americans are told they are victimized.

But is it racism, or something entirely different?

Who are these people telling the poor they are victims? Just watch the protests.

The incitement of the disgraceful attacks against law enforcement is coming largely from people who either don’t live in these communities, or who themselves have institutionally thrived from the suffering of the poor.

Make no mistake. The suffering is real. According to the Pew Charitable Trust, 70 percent of the people today who are born into poverty are likely to never get to the middle class.

Since President Lyndon B. Johnson declared the war on poverty in 1964, American taxpayers have spent more than $22 Trillion on “anti-poverty” programs. And yet, poverty persists, bringing with it poor health and a hopelessness that acts as an anchor on our spirit.

According to experts, what is happening to our poor neighborhoods is worse today than ever.

Bob Woodson, founder of the Center for Neighborhood Enterprise, has been on the front lines of this generational challenge for decades. Woodson, who is African-American, recently made the observation that the issue at hand is not primarily about race but about income, and that poor people — specifically,
poor black people — are being victimized by the responses to the incidents that have captured our national attention.

He says that a myopic focus on racism ignores the larger crisis, and that “the real culprit,” poverty, “will slip away in the night undetected and undeterred from destroying the most vulnerable members of society.”

What of the more than $22 trillion that has been spent fighting poverty? Woodson rails against what he calls the commoditization of the poor.

He says, “70 percent of the money goes to professionals who parachute programs into these neighborhoods. ... We have made a commodity out of poor people where the bulk of the money is spent on the people serving them” rather than making real investment in their future.

One thing we know that has helped lift people out of poverty is education. Of those who did rise from poverty, 53 percent were college graduates. So, it is clear from the data that the most effective way to help create opportunity and end the cycle of poverty is to focus on the well-being of children through high educational standards and creating expectations for success rather than excuses for failure.

This is the impetus for why Niswonger Children’s Hospital and Mountain States Health Alliance are now focused, through the Center for Healthy Children and Families at Niswonger, on improving child literacy and child well-being. Why would a children’s hospital be focused on literacy? Because we know that third-grade reading proficiency is crucial for academic success, which leads to improved performance in school and a greater likelihood of completing a high school education. This is the key to breaking the cycle of poverty. Basic reading skills by the fourth grade will equip these young people with the opportunity to become college or career ready. Combined with the love of adults who stop making excuses and demand better of their kids, these young people can have a chance. Marquis Green is right. His father is a hero. And he died doing what so many police officers have sworn to do — protecting his community. Let’s not waste their solemn commitment. Let’s focus on our next generation, and make the sacrifice of our law enforcement officers worthy of the risk they take. And let’s also thank them every chance we get.

Alan Levine is president and CEO of Johnson City-based Mountain States Health Alliance. Levine previously served as secretary of health care administration for the state of Florida and as deputy chief of staff for former Florida Gov. Jeb Bush, as well as Louisiana’s secretary of health and hospitals under Gov. Bobby Jindal.
Wellmont, MSHA name joint task force members

KINGSPORT – Wellmont Health System and Mountain States Health Alliance leaders have appointed a joint board task force as work continues to explore the creation of a new, integrated and locally governed health system.

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- Keith Wilson, of Kingsport, Tennessee, who owns a secondary residence and a farm in Scott County, Virginia, a member of the Wellmont board of directors, publisher of the Kingsport Times-News and president of Northeast Tennessee Media Group.

Mountain States' joint board task force members are:
- Barbara Allen, of Johnson City, Tennessee, chair of the Mountain States board of directors and general manager of Stowaway Storage, a family-owned business in Johnson City;
- Bob Feathers, of Kingsport, Tennessee, a member of the Mountain States board of directors and president and CEO of Workspace Interiors, Inc.;
- Alan Levine, of Johnson City, Tennessee, president and CEO of Mountain States Health Alliance;
- Dr. David May, of Elizabethton, Tennessee, a member of the Mountain States board of directors and immediate past president of the medical staff at Sycamore Shoals Hospital;
Grant is the nephew of Dean Trent. He is a life-long resident of Kingsport, where he is an avid supporter of the community.

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Central Elementary School enjoys poetry and frequently quotes passages from Shakespeare and other men and women's literature.
Health systems name merger task force

Wellmont Health System and Mountain States Health Alliance leaders have appointed a joint board task force as work continues to explore the creation of a new, integrated and locally governed health system.

The two health systems announced the members of the task force last week.

The joint board task force is a committee of the two boards acting as a liaison and providing information and guidance about developments in the transaction exploration process. Totaling 14 members, the task force is composed of an equal number of representatives appointed by the Mountain States and Wellmont boards. The members represent a cross section of regional and physician leadership from the community, incorporating those with experience in governance, administration, business and strategy — both in health care and in the business community.

The group is primarily responsible for providing a conduit to the existing boards of directors about the progress being made as the two systems undertake due diligence and transaction analysis and pursue a potential definitive agreement.

Wellmont’s joint board task force members are:

- Dr. Nelson Gwaltney of Bristol, Tenn., a member of the Wellmont board of directors, president of Highlands Physicians Inc. and a general surgeon on the medical staff of Bristol Regional Medical Center;
- Bart Hove of Kingsport, Tenn., president and CEO of Wellmont Health System;
- Roger Leonard of Bristol, Tenn., chair of the Wellmont board of directors and a senior adviser to Kingsport, who owns a secondary residence and a farm in Scott County, is a member of the Wellmont board of directors and immediate past president of the Tennessee Medical Association;
- Dr. Doug Springer of Kingsport, a gastroenterologist on the medical staff of Holston Valley Medical Center, a member of the Wellmont board of directors and immediate past president of the Tennessee Medical Association;
- Dr. David Thompson of Bristol, Tenn., an internal medicine physician with Wellmont Medical Associates in Bristol, who also practices in Abingdon and is a Wellmont board member and chairman of the Wellmont Medical Associates board of directors; and
- Keith Wilson of England & Co.;

Mountain States’ joint board task force members are:

- Barbara Allen of Johnson City, Tenn., chair of the Mountain States board of directors and general manager of Stowaway Storage, a family-owned business in Johnson City,
- Bob Feathers of Kingsport, a member of the Mountain States board of directors and president and CEO of Workspace Interiors, Inc.,
- Alan Levine of Johnson City, president and CEO of Mountain States Health Alliance;
- Dr. David May of Elizabethton, Tenn., a member of the Mountain States board of directors and immediate past president of the medical staff at Sycamore Shoals Hospital,
- Dr. Rick Moulton of Johnson City, medical director of clinical integration for State of Franklin Healthcare Associates and chairman of the SoFHA patient centered medical home committee,
- Gary Peacock of Marion, a member of the Mountain States board of directors, former chair of the Smyth County Community Hospital board of directors, and retired senior vice president of Royal Mouldings, and
- Clem Wilkes Jr. of Johnson City, a member of the Mountain States board of directors and co-manager of Citizens Investment Services, a subsidiary of Citizens Bank Tri-Cities.

Davenport’s rank lowest, with a $62 average bill

Looking strictly within

the rate warning about rates and funding.

The report said "user

which charged its sewer rates at 160 percent of the in-town water bill, is pro-

serving rate, figured as a percentage of the water bill, drops from 160 percent, to 130 percent, to
Bristol Virginia City Council approves tax hike

Posted: Tuesday, May 26, 2015 10:32 pm

BY DAVID MCGEE | BRISTOL HERALD COURIER

BRISTOL, Va. — A 3-cent increase in the tax on cigarettes approved Tuesday would restore charges that city leaders reduced last September.

Bristol Virginia City Council held first reading Tuesday on a plan to raise the tax on a pack of cigarettes from 11 cents to 14 cents, effective July 1. If finalized next month, it would put the tax rate back to where it was last July 1, before a subsequent vote trimmed that increase to 11 cents, Mayor Catherine Brillhart said.

“We raised it when we approved the budget for 2014-15, then we had a change in the council makeup, with two new members coming on to the council. It was a presentation by one of the council members to reduce the amount we had increased the cigarette tax,” Brillhart said, referring to Vice Mayor Archie Hubbard. “We did not increase it as much as in the original budget so now we are bringing it back to that level, to make it a little easier on the local store owners.”

The council voted 4-1 last September — with Brillhart casting the dissenting vote — to temporarily lower the cigarette tax, while also approving a series of real estate tax hikes to improve city finances.

With the increase, the cigarette tax is forecast to generate about $250,000, or about $100,000 more than was collected during fiscal 2013-14, when the rate was much lower.

Hubbard said he didn’t do the math correctly last fall when he requested the change.

“I was looking at it as new money — as if we already had $150,000 in the budget,” Hubbard said after the meeting.

The 2014 cutback was made in response to convenience store owners, who claimed an abrupt increase would drive away business.

City Manager Tabitha Crowder also briefed the council on restoring about $21,000 in funding to the Bristol Chamber of Commerce and various divisions, the Bristol Rhythm & Roots Reunion and Believe in Bristol. Council initially trimmed funding for some programs by 10 percent in an effort to balance its budget.

Crowder said she made those changes after discussing the matter with three of five council members. Plans now are to withdraw the funds from city contingency funds.

The council is expected to finalize its fiscal 2015-16 budget, including the cigarette tax hike, at its June 12 meeting.

In other business, the council unanimously approved a series of guidelines to govern naming or re-naming city-owned property, structures, streets and parks. The city previously had no guidelines in place.
“We decided we wanted to summarize in a policy some guidelines for what some requirements may be,” Crowder said.

The council also appointed Crowder to the Southwest Virginia Health Authority, the regional board that will — among other things — consider the proposed merger between Wellmont Health System and Mountain States Health Alliance.

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Healthy bodies, healthy economies
Medical experts say promoting well-being good for area in several ways
BY NATHAN BAKER

nbaker@johnsoncitypress.com
Promoting the well-being of residents could provide a booster shot for the economy, local health professionals told business and government leaders Thursday at East Tennessee State University.

Speaking in the university’s D.P. Culp Center during the Tennessee Valley Corridor National Summit, ETSU College of Public Health Dean Randy Wykoff and Mountain States Health Alliance CEO Alan Levine first laid down the health and social problems faced by those living in the nearly 150 counties and cities that make up the corridor, then made the case for public-private partnerships to help solve some of them.

Setting aside genetics, which Wykoff said science has yet to be able to overcome, some of the largest contributors to untimely deaths in both the region and the nation include unhealthy behaviors, inability to access quality health care and poverty.

During his presentation, the dean focused squarely on the latter, noting that 80 percent of the counties that make up the Tennessee Valley Corridor have a quarter or more of their children living at or below the poverty line, and statistics show the wage gap between the poorest and richest Americans widening.

“If you believe as I do, that economic standing is tied to health, then you believe we’re going to see a widening health gap as the income gap increases,” he said.

The answer, in part, to closing the health gap, according to Wykoff, is promoting education and economic development.

“Yes, people need access to quality health care and they need to be convinced to change their behavior, but we should also focus on economic development and education,” he said.

Levine, following Wykoff’s presentation, said one way for the health care industry to help stimulate the economy and affect that change is through research.

With a looming merger between Levine’s Mountain States and Wellmont Health System, headquartered in Kingsport, hundreds of millions of public dollars for medical research and thousands of jobs could be within the Tri-Cities’ reach, he said.

A partnership between the proposed health care system — which has not yet been recommended for approval by state or federal regulators — and ETSU’s colleges of Public Health and Medicine could create a research powerhouse focused on solving the problems of the surrounding communities, Levine said.

“The old model created two systems that are hospital-centric. It’s based on the health care system from 60 years ago,” the CEO said.
“Under that model, if you do more procedures, you get paid more, but we’re moving away from that to a health improvement organization. Some of those things we’ll be doing are things we don’t currently get paid to do.”

Investing in the research infrastructure to develop procedures and devices to help perform preventative care could be the saving grace of what could soon be the region’s largest employer, he said.

“This is the opportunity we see, why we’re working to create such a close linkage with the university,” he said. “The potential is huge. With the synergies we create by merging the two systems, we can then go to the state and federal government, put our resources on the table and ask them to participate in what we’re doing as partners.”

The Tennessee Valley Corridor National Summit is an annual economic development convention attended by leaders of federal projects, elected officials and private business representatives.

The two-day event aims to promote economic growth by aiding scientific advances made by stakeholders in the corridor within those orbits.
The region's two hospital systems are seeking public input through four "work groups" centered around key elements of the proposal to create a "health improvement organization."

A series of meetings, along with online input, will center around three broad areas that are seen as impacting the cost of health care in the region — mental health and addiction, "healthy children and families," and "population health and healthy communities." A fourth area, Mountain States Health Alliance and Wellmont Health System representatives said, will examine the opportunity to capture funding to improve outcomes in the other three: research and academics.

Citizens can learn full details, including ways they can become involved and provide input, at becomingbettertogether.org/get-involved. The work groups began meeting this month and will continue through the end of the year. Each group will be led by a subject matter expert and staffed by members of both systems, as well as master's and doctoral level students from East Tennessee State University. The merger proposal anticipates a much-enhanced role for ETSU's health sciences division, partly in hopes of drawing in research dollars.

The goal, Wellmont's Todd Norris and Mountain States' Tony Keck said, is to build a system best equipped to improve the health of Northeast Tennesseans and Southwest Virginians — outside the hospitals as well as in them.

Keck said visits to chambers of commerce and civic clubs by Wellmont and Mountain States CEOs Bert Howe and Alan Levine are good, but don't reach all the people the systems need to reach in order to craft the most effective plan.

"That's one way to reach the public, but this is another way for people to get even more involved and to set the agenda a little bit themselves in terms of presentations and public comments and so on. We're looking forward to it. We think we're going to get a lot of perspectives that we can't get otherwise."

Work groups will provide regular updates as well as final findings to the Integration Council, a group of executive and physician leaders from both systems who are overseeing the analysis and making preparations for the integration of the proposed combined system.

As these groups form, due-diligence research, led by the Integration Council and the Joint Board Task Force, continues between Wellmont and Mountain States to establish the proposed new system. The next step is approval of a definitive agreement by both organizations' boards of directors, after which the systems will enter a government approval phase likely to take through the end of 2019.

Norris said a "health improvement organization" that encompasses outpatient care, public health and community involvement is a great opportunity for the region to get "upstream" of health care trends.

"This merger really creates a unique opportunity for the two health systems to work together in ways that we never have before in order to be able to facilitate that."
Mountain States, Wellmont seek local input on merger

Want to offer your thoughts on how a proposed merger of Mountain States Health Alliance and Wellmont Health System could improve regional health?

The two health systems are seeking participation in four planned community work groups designed to get public input on the merger, according to a press release.

Through the website, www.BecomingBetterTogether.org, the health systems are requesting participation from the community as well as subject matter experts such as nurses and other health professionals, doctors, public health officials and community advocates.

The work groups’ findings will be used by East Tennessee State University as part of a health needs assessment that will be conducted after the proposed merger is complete. That assessment will provide a road map for the proposed new health system as it lays out a 10-year plan to improve community health.

The work group meetings will focus specifically on health improvement and are separate from public meetings that will be held in Tennessee and Virginia as part of the state approval process for the proposed merger.

The work groups are:

- **Mental health and addiction.** Will evaluate existing mental health and addiction services; assess gaps in access, review strategies to prevent drug and alcohol use among youth and explore structures to better integrate primary care in coordinating treatment.

- **Healthy children and families.** Will identify the most prominent physical, behavioral and social health problems among children in the region and explore their causes; examine access points for children and evaluate strategies that have worked well in other communities; identify gaps in educational achievement, particularly literacy and basic skills; take inventory of community services for children with special needs and developmental or physical disabilities.

- **Research and academics.** Will identify specific ways the proposed new organization can work with ETSU and other academic institutions to substantially enhance the region’s health and economic development by expanding research, training, and application of public health policy.

- **Population health and healthy communities.** Incorporating input from the other work groups, will identify the region’s top health problems in the region and their clinical and social causes and will inventory current and past efforts to address these problems; will also identify successful governance structures that leverage schools, businesses, civic and faith groups, health care providers and government to improve health and wellness.

The work groups will begin meeting in July and will continue through the end of the year. Work groups will provide regular updates as well as final findings to the Integration Council, a group of executive and physician leaders from both systems who are preparing for integration of the proposed combined system.
MSHA, Wellmont announce plans to form groups seeking public input
Systems looking to formulate long-range plan to improve region's health

Posted: Wednesday, June 10, 2015 11:48 pm

BY DAVID MCGEE | BRISTOL HERALD COURIER

BRISTOL, Tenn. — Officials of two area health care systems are seeking public input to help chart a long-range plan toward improving the region’s health.

On Wednesday, Wellmont Health System and Mountain States Health Alliance jointly announced plans to establish a series of work groups to solicit public input on issues ranging from mental health and addiction to healthy children and families. A news conference was held at Bristol Regional Medical Center.

The two systems are attempting to merge into a single, locally governed health care provider, but this process isn’t directly related to those efforts. The work group meetings are designed to focus specifically on improving health and are separate from public meetings that will be held in Tennessee and Virginia as part of the state approval process for the proposed merger, officials said.

Work groups will, however, provide regular updates and final findings to a joint integration council, a group of executive and physician leaders from both systems who are overseeing the analysis and making preparations for combining the systems.

“We know, to make a difference long term, people have to think differently about their health,” said Todd Norris, Wellmont’s senior vice-president of system advancement. “This is a phenomenal place to live, work and raise a family, but we want to be known as one of the healthiest areas of the country, not one of the unhealthiest. We want people to see they have the ability to change some of these historic patterns of poor health that are really because of behaviors and choices people make.”

The work groups will represent a “concerted, organized effort” that is expected to continue at least through the end of 2015, Norris said.

“There will be a lot of substantive engagement within these groups — both from people who volunteer to be part of the leadership of the groups and serve on these four panels, but among the community organizations and stakeholders who make presentations,” Norris said. “There will be a lot of active listening that characterizes the first phase of this. Then, working with academic institutions like ETSU [East Tennessee State University] we want to do research, look at that evidence base of what is required with these issues and then we’ll have an implementation plan.”

The work groups are expected to be formed and begin work next month, with meetings slated to occur throughout Northeast Tennessee and Southwest Virginia, according to Anthony Keck, senior vice president and chief development officer of MSHA.

“We’re looking for subject matter experts, people to serve on committees, people who may make presentations who have a specific point of view and just public comment,” Keck said. “Whether you’re an expert or not, we want to hear from the community.”
The four focus areas are mental health and addiction, healthy children and families, research and academics, population health and healthy communities. The proposed merged system would, for example, be dedicated to partnering with the medical and social service community to combat addiction.

Keck expects hundreds will eventually participate.

“We are traditionally required to put together one- or two-year plans by the federal government that talk about how we’re going to work on public health issues. That’s not long-term enough and not big enough,” Keck said. “We think by coming together with Wellmont and Mountain States — and getting more people around the table — we hope to put together a 10-year plan because some of the problems we’re working on will take that long to solve, if not longer. But we’ve got to start now.”

Efforts to merge the two systems are continuing concurrently with the work groups. The integration council and a joint board task force comprised of representatives from both systems are continuing due diligence efforts. The next step is approval of a definitive agreement by both organizations’ boards of directors — possibly by August. If approved, the systems will seek approval from both Tennessee and Virginia governments.

Both systems will continue operating as separate organizations throughout that process.
Letter to the editor
BRMC care is over the top

Posted: Thursday, June 11, 2015 9:15 am

An open letter to the Wellmont Board of Directors; Greg Neal, president, Bristol Regional Medical Center; and especially the entire staff of floor 3 West:

I recently spent 15 days on 3 West. This was my third confinement there over the past several years. I have never had less than the best of care; however, this last stay was “over the top” for patient care.

Each visit/stay has drawn my attention to the fact that the culture of Bristol Regional Medical Center has been making giant strides in patient needs, awareness and service timeliness. I have not encountered an employee that hasn’t been friendly, informative and looking for ways to give the patient a very favorable experience. This extends to physician practices. My surgeon, Dr. Messerschmidts, and his team, were here for me every day.

Courtesy and enhancing the patient-visitor experience also was observed among volunteers and cart drivers, even a custodian asked waiting guests if he could get anything for them.

The instant sharing of medical records among doctors, offices and hospital departments has to be a major leap forward.

The food was good considering the vastly different diet and personal tastes to be catered. Even the cafeteria order takers were friendly, cheerful and helpful.

Ten years ago I stayed some 12 days in the Johnson City Medical Center after esophageal surgery and heart issues. While it was a good experience, comparatively, it was not close to the positive experience I have had at Bristol. Having employed and supervised small groups of employees, I understand how difficult it is to have such an employer/employee culture that employees sing the praises of being a part of such a team.

How tragic that any of this patient experience could be lost due to a merger.

Phillip R. Rust | Bristol, Tennessee
KINGSPORT — Mountain States Health Alliance and Wellmont Health System jointly announced Wednesday they are creating four community work groups to provide public input on their planned merger.

Through their website, BecomingBetterTogether.org, the health systems said they are requesting participation in the work groups from the community as well as topic experts such as nurses and other health professionals, doctors, public health officials and community advocates.

“Our organizations have committed to an open process as we consider the creation of a truly new health improvement organization for our region,” Wellmont CEO Bart Hove said in a prepared release. “These work groups provide a great opportunity for interested organizations and individuals to participate with us as we develop our strategies for improving the health of our area.”

The two health care providers said the work groups will provide input in Mental Health and Addiction, Healthy Children and Families, Research and Academics, and Population Health and Healthy Communities.

The work groups’ findings, according to the prepared release, will be used by East Tennessee State University as part of a so-called “deep-dive” health needs assessment conducted after the proposed merger between Mountain States and Wellmont is complete.

That assessment, the release also noted, will provide a road map for the proposed new health system as it lays out a 10-year plan.

The work group meetings were described to be separate from public meetings that will be held in Tennessee and Virginia as part of the state approval process for the proposed merger.

The Mental Health and Addiction work group is expected to evaluate the inventory of mental health and addiction services for adults and children in the area.

The Healthy Children and Families work group is supposed to identify the most prominent physical, behavioral and social health problems among children in the region and explore their causes.

In addition, this group will identify gaps in educational achievement, particularly literacy and basic skills, and take inventory of community services available for children with special needs and developmental or physical disabilities, according to the release.

The Research and Academics work group will identify specific ways the merged organization can work with ETSU and other academic institutions to substantially enhance the health and economic development of the region by expanding research, training, and the application of public health policy to improve health.
Lastly, the Population Health and Healthy Communities work group will incorporate input from the other work groups and identify the top health problems in the region and their clinical and social causes. The group will also identify successful community governance structures used locally or nationally that leverage schools, businesses, civic and faith groups, health care providers and government to improve health and wellness.

Wellmont and MSHA said the work groups will begin meeting in July and will continue through the end of the year.

Each group will hold public meetings, which will rotate throughout Northeast Tennessee and Southwest Virginia, to seek input from the community as well as organizations and experts interested in these areas.

Each work group will be led by a subject matter expert and will include members from throughout the region who represent a broad variety of experience and perspectives. Work groups will be staffed by members of MSHA and Wellmont along with master’s and doctoral level students from ETSU.

Work groups will provide regular updates as well as final findings to the Integration Council, a group of executive and physician leaders from both systems who are overseeing the analysis and making preparations for the integration of the proposed combined system.

The main step in the merger is approval of a definitive agreement by both organizations’ boards of directors, after which the systems will enter a government approval phase that will likely take through the end of 2015.
Wellmont Health System and Mountain States Health Alliance announced Wednesday plans to create four community work groups to help the system created after a proposed merger of the regional nonprofits treat what the systems’ health professionals say are the region's most challenging health issues.

In an emailed press release and a post on the systems' shared BecomingBetterTogether.org website, the two regional health organizations asked for members of the community, nurses and doctors to attend public meetings hosted by the groups, which will consider the topics of mental health and addiction; health, children and families; research and academics; and population health and healthy communities.

Anthony Keck, Mountain State’s senior vice president and chief development officer, and Todd Norris, Wellmont’s senior vice president for system advancement, said the groups will help identify the region’s collective ailments and set a plan to prevent them, a proactive departure from the U.S. health care system’s longstanding practice of treating symptoms after sickness sets in.

“We need to go beyond the health statistics at the county level and get into the neighborhoods and households,” Keck said. “We need to talk to the individuals and figure out how to reach them to promote their health and the region’s.”

According to the release, the groups will begin meeting in July and continue through the end of the year. Each will hold public meetings in both Northeast Tennessee and Southwest Virginia, where local residents who would be affected by the possible merger can attend to provide their input.

The groups will include employees of Mountain States and Wellmont and master's and doctoral level students from East Tennessee State University.

The university, especially the College of Public Health and the Quillen College of Medicine, will play a large role in the collection of the comments during the public meetings, the analysis of the responses and the creation of a 10-year plan to help the newly minted hospital system direct its efforts.

Norris said much of the system’s plan, if approved, will also be facilitated by the state health departments in Virginia and Tennessee, two groups that will review the merger in consideration of its plan to meet regulatory requirements.

“One of the things that allows this merger to be possible is the states buying into our plan,” Norris said. “We’re eager to have strong partnerships with the departments of health in this. We could only go forward with the merger if we work together.”

Keck said each of the four workgroups will hold a meeting about once per month, but the venues and an exact schedule have not yet been set.
The conversations taking place in those meetings will be public, and the findings resulting from the meetings will be published as a public document, Norris said.

The work groups will also report to the Integration Council formed by Wellmont and Mountain States, of which both Keck and Norris are members, to plan the combination of the two systems.

That council and the Joint Board Task Force, a group made up of members of the systems’ two boards of directors, are still in due diligence and government approval phases working toward a plan for the merged system. The meetings of those groups will produce a definitive agreement to be signed by representatives of both systems, then the health systems will start a phase seeking regulatory approval for the merger, likely to take through the end of 2015.
It takes a village to merge Wellmont and Mountain States Health Alliance

By Adam Rubenfire | June 12, 2015

Leaders at Wellmont Health System and the Mountain States Health Alliance have taken the unusual step of getting public input to identify gaps in care that a merger between the organizations could solve.

Wellmont, based in Kingsport, Tenn., and MSHA, based in Johnson City, Tenn., are convening four groups comprised of experts, public health officials and members of the public to identify ways to improve problems in the area. They will concentrate on mental health and addiction, pediatric wellness and education, research and academics, and clinical and social barriers to community wellness. The groups will begin meeting throughout the region in July.

Mountain States CEO Alan Levine and Wellmont CEO Bart Hove say the merger isn't about finances — both of their organizations are in good financial health. Rather, it's part of a 10-year plan for the united health system, which ambitiously aims to solve some of the major health problems plaguing their communities.

“We’re not satisfied that the way we're currently structured today with the two systems in this region is the right structure for tomorrow,” Levine said. A merger of the two not-for-profits would help stabilize costs for employers in the region, many who are self-insured and can’t afford to pay a higher cost for care, Levine said.

The CEOs are hopeful that the merger will preserve access to care in several rural areas in the region, many of which have only one hospital. The combined system would serve an area in Tennessee that has the highest rate of diabetes in the state, Levine said, combined with low literacy, high incidence of cardiovascular disease and an inpatient utilization rate that is higher than the national norm.

Students from East Tennessee State University's School of Public Health will be on staff during the workgroups to help the two systems assess the region's needs.

Wellmont spent two years looking for partnership options, according to Hove. Wellmont and Mountain States announced in April that they would pursue a merger. A definitive agreement is expected in the fall. Government approval, if given, would likely come by the end of 2015 or in January 2016.

The combined organization would span 29 counties from southeast Kentucky to northwest North Carolina, as well as Northeast Tennessee and southwest Virginia. The two organizations have very little overlap, officials said.

Wellmont has a history of community engagement. In fiscal 2013, the system said it provided $70 million in uncompensated care and $6 million in health and wellness programs. Wellmont hospitals have also written off all charges for uninsured patients making less than twice the federal poverty level and 60% of charges for patients above that threshold. Mountain States, for their part, reported a total of more than $62 million in uncompensated care and charity care as well as $18 million in community health improvement services and subsidized health services. The system said it also writes off 66% of
charges for all uninsured patients regardless of income and offers additional discounts for individuals below 200 percent of the federal poverty level.
MSHA, Wellmont seek input on merger plan

BY JEFF KEELING

Two months after announcing they would seek approval to merge, the region's two hospital systems are seeking public input through four "work groups" centered around key elements of the proposal to create a "health improvement organization."

A series of meetings, along with online input, will center around three broad areas that are seen as impacting the cost of health care in the region — mental health and addiction, "healthy children and families," and "population health and healthy communities." A fourth area, Mountain States Health Alliance and Wellmont Health System representatives said, will center around the opportunity to capture funding to improve outcomes in the other three: research and academics.

Citizens can learn full details, including ways they can become involved and provide input, at becomingbetter-together.org/get-involved. The work groups will begin meeting in July and continue through the end of the year. Each group will be led by a subject matter expert and be staffed by members of both systems, as well as master's and doctoral level students from East Tennessee State University. The merger proposal anticipates a much-enhanced role for ETSU's health sciences division, partly in hopes of drawing in research dollars.

The goal, Wellmont's Todd Norris and Mountain States' Tony Keck said last Wednesday, is to build a system best equipped to improve the health of Northeast Tennesseans and Southwest Virginians — outside the hospitals as well as in them. Wednesday saw the first mention of a 10-year plan associated with the proposed merger, which must gain state regulatory approval in both Tennessee and Virginia.

The region has one of the nation's highest rates of hospital admissions. In addition to driving up cost because hospitalization is more expensive than outpatient care, this has economic and other effects.

"A lot of the cost is in utilization," Wellmont's Norris said. "A lot of the utilization is the result of the population being sicker than by all rights it should be, because of unhealthy behaviors. Because of a high rate of smoking that we have here in the area, because of poor eating habits that result in Type II diabetes and heart conditions and vascular conditions that lead to strokes and those kinds of things."

"So what we're really talking about doing is resourcing differently to work with people in the community differently to start creating new behaviors and a new culture of health in the region. That's one of the reasons it's going to take a lot of time."

Keck said visits to chambers of commerce and civic clubs by Wellmont and Mountain States CEOs Bart Hove and Alan Levine are good, but don't reach all the people the systems need to reach in order to craft the most effective plan.

"That's one way to reach the public, but this is another way for people to get even more involved and to set the agenda a little bit themselves in terms of presentations and public comments and so on. We're looking forward to it. We think we're going to get a lot of perspectives that we can't get otherwise."

Work groups will provide regular updates as well as final findings to the Integration Council, a group of executive and physician leaders from both systems who are overseeing the analysis and making preparations for the integration of the proposed combined system.

As these groups form, due diligence research, led by the Integration Council and the Joint Board Task Force, continues between Wellmont and Mountain States to establish the proposed new system. The next step is approval of a definitive agreement by both organizations' boards of directors, after which the systems will enter a government approval phase likely to take through the end of 2015.

Norris said a "health improvement organization" that encompasses outpatient care, public health and community involvement is a great opportunity for the region to get "upstream" of health care trends.

"This merger really creates a unique opportunity for the two health systems to work together in ways that we never have before in order to be able to facilitate that."
Health system merger is a ‘game changer’ for the region

After months of exploration and study, the boards of directors of both our health care systems have agreed to merge. The fact that both boards unanimously voted in support of the merger speaks volumes about how well this decision will serve our area.

Historically, we have had two excellent, but duplicative, systems, each feeling obligated to outdo the other regardless of the ability of the region to support their competitive initiatives.

Because both Wellmont Health System and Mountain States Health Alliance are community hospital systems and due to massive changes in health care nationwide, we were faced with the prospect of one or both being forced to capitulate and transfer our health care assets to an outside entity.

This would leave us with no local governance or control while leaving our future at the mercy of out-of-market systems, for whom we would simply be part of their feeder system.

Several community leaders got involved and encouraged the two systems to explore the prospects of a merger, utilizing a Certificate of Public Advantage, a legal mechanism allowing competing health care systems to cooperate, subject to approval of the attorneys general of Tennessee and Virginia. Under a COPA, there is a mandated public interest standard which must be met, to ensure that the absence of competition in certain health care decisions is offset by clear advantage and promotion of the public good.

Thankfully, through tireless negotiation and due diligence, these two systems put ego on the back burner and have arrived at an agreement they will present to the regulators for their approval.

While there will be inevitable bumps in the road, and pain relating to the decisions to resolve duplication and gain economies of scale, the outcome will be a game changer for our region.

From an economic standpoint, we will see continued growth in the health care sector, as East Tennessee State University’s Quillen College of Medicine pursues opportunities in the medical research arena.

No, it won’t happen overnight, but our region will begin to feel more like the metro we are as we accelerate our interaction between the cities, and enjoy the fruits that come from access to a larger population.

KEN MANESS
Kingsport
Time for a conversation on hospital consolidation

Posted: Sunday, June 21, 2015 9:00 am

All over the country, patients, doctors and others in the health industry are looking for ways to reduce the cost of health care. Insurers are moving to value-based care instead of volume-based care. Patient groups are pushing drug-makers to be more transparent about pricing. And, providers are taking advantage of telemedicine to make care more convenient and cost-effective for consumers.

While these trends are helping to curb the cost of care, another movement gaining traction around the U.S. seems to be having the opposite effect.

As more and more hospitals consolidate, many communities are talking about how these mergers affect affordability and the cost of local health care services. There is documented evidence that the merging of hospital systems is driving up the cost of care for Americans.

This is an important conversation to have; and now, it’s Tennessee and Southwest Virginia’s turn.

Right now the Tri-Cities area has a front row seat for this debate over hospital consolidation. Thousands of residents are watching as their two medical systems move toward a merger that will create what some might call a mega-system for Northeast Tennessee and Southwest Virginia. So, it’s our responsibility to learn more about the potential impact on consumers.

Hospital consolidation, when done properly in a competitive marketplace, can benefit surrounding communities and lead to improved quality of care for residents. Unfortunately, that hasn’t always been the case for many communities, in which hospital mergers simply led to lost jobs and increased costs, due to a lack of competition.

The trends are cause for concern. In the past year alone, there have been 95 hospital mergers or acquisitions around the country. Studies have found that increased consolidation has led to increased costs for consumers.

A recent report out of California found that people living in regions with multiple competing hospitals have substantially lower premiums than regions with less competition. The report, published in the Antitrust Health Care Chronicle, found that more competitive markets had premiums that were 8 percent lower, saving consumers $20 or more per month.

Consolidation is generating concern with some of our neighboring states, as well.

In Georgia, Emory Healthcare and WellStar Health System recently announced plans to merge, raising red flags from consumer advocates worried about the impact of higher prices on consumers, especially if these costs come with little to no improvement in quality of care. And, in North Carolina, routine medical costs have soared in Mecklenburg County, where more than half of all physicians have joined major hospital networks.

Consolidations that create monopolies and drive up the cost of care for consumers undermine the goal of affordable health care across America. Certainly, some concentration may improve quality of care or...
standardize best practices — something we can all hope for and support. On the other hand, when done poorly, consolidation also can limit options for patients and increase costs.

Wellmont Health System and Mountain States Health Alliance have a critical responsibility to address the impact of their proposed merger on local communities and consumers who live in the Tri-Cities area.

Without more discussion, the result could be the same as so many other communities across America — less competition and higher prices.

Tennesseans and Virginians deserve better.

Brian Krumm is an associate professor at the University of Tennessee College of Law in Knoxville, Tennessee, where he teaches commercial and contract law, and corporate governance. He also has served in Tennessee state government as Assistant Commissioner of Employment Security, Deputy Commissioner of Labor and as a policy advisor to the governor.

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No pain, no gain when it comes to hospital merger

By Jeff Keeling

This month’s cover story on Healthy Kingsport reveals the linkages between a community’s (or a region’s) health and its prosperity. Tied up in the language and descriptions surrounding our region’s two dominant hospital systems’ efforts to gain approval for a merger are some highly similar themes. Should the regulators ultimately decide Wellmont Health System and Mountain States Health Alliance can indeed be “Better Together” when it comes to quality, availability and cost of health care for area citizens, the new system can, presumably, help us become healthier and wealthier. Here’s a rub, though: Just as some pain and tough decisions are prerequisites for individual fitness, so too shall they be required for a merged system to deliver on its promises — including the prosperity of its own rank-and-file employees.

Let’s jump ahead a few years for a hypothetical. Wellmont and Mountain States have been replaced by a “health improvement organization.” The dust has settled and the new entity’s leaders are identifying specific areas where cutting people, locations or services is needed to eliminate unnecessary duplication of services. Remember, eliminating unnecessary duplication of services was (quite justifiably) a primary rationale for the merger.

In simple terms this means, as my esteemed colleague who shares his valuable ruminations at the front end of this magazine each month might say, “someone’s ox is going to get gored.” Or as early and influential merger advocate Bill Greene said late last summer, “there’s going to be blood in the creek.” Human nature being what it is, the “goers” are unlikely to just go quietly into the night no matter how logical and necessary the organizational decision may be.

Fee for service medicine and the particular MSHA-Wellmont dynamic over the past 15-plus years allowed for significant unnecessary duplication of services. Both the people who earn a living providing those services and the leaders within their communities quite naturally have developed a vested interest in their continuance.

There is a corollary to the issue of eliminating unnecessary duplication. Each system today has some processes and practices that work better than they do at the other system. The best way forward with respect to operations management will almost certainly require a willingness by people from both former “sides” to adopt the others’ approach — in large part if not wholly — for the new organization to be its best. Getting there means being willing to acknowledge somebody else’s way was better.

In either case, you’re talking about short-term sacrifice for long-term gain. I believe when some of those decisions start coming down the pike there will be pressure, including from influential quarters, to backtrack. The day of the merger announcement April 2, I asked the chiefs of the two organizations how they would handle such a scenario.

MSHA’s Alan Levine said, “we don’t have the luxury of running away from the tough decisions,” and, “sometimes failing to make the tough decisions makes it even worse for the people that are impacted.” Both true. He added, though, that the current finances remain healthy enough that, “over time, we have the ability to be very rational and methodical about what we do.” His Wellmont counterpart, Bart Hove, said, “our staff members, both physicians and employees, understand the term sacrifice. They sacrifice every day, and that’s part of their mission in life.”

In response to Levine I say, you do have some time, but the time for tough decisions will come sooner than you want it to, and attrition alone won’t get you where you need to be. To Hove I say, sacrifice is one thing when everyone is part of a longstanding culture and organization — it’s something else entirely when two former rivals have merged and it’s your half’s turn to take one for the new team.

Fortunately, both these systems are replete with strong clinical programs. So while that may make some of the decisions very difficult, it should mean that the ox-goring can be applied rather equitably. Achieving the financial margins needed to redirect resources toward new clinical endeavors, research and yes, better pay, will require bold action.

People will complain, though. They’ll try to prevent necessary change from occurring, and some of those doing it will be influential. That will be the time for the strong, objective, fair-minded leaders with a firm commitment to excellence and efficiency to step to the fore. They may be cast as heartless villains, but if the organization’s overall vision is strong — if it’s doing the right things for the right reasons, primarily population health and a viable system with competitive pay and benefits — they’ll actually be heroes. And people may even acknowledge it someday.
Hospital merger will be a game-changer for region

Editor’s note: Guest editorials may not necessarily reflect the opinion of the newspaper. The following is from Ken Maness of Kingsport.

I am excited about the future of healthcare in our region!
After months of exploration and study, the boards of directors of both of our healthcare systems have agreed to merge. The fact that both boards unanimously voted in support of the merger speaks volumes about how well this decision will serve our area.
Historically, we have had two excellent but duplicative systems, each feeling obligated to outdo the other, regardless of the ability of the region to support their competitive initiatives.
Because both Wellmont and Mountain States are community hospital systems and due to massive changes in healthcare nationwide, we were faced with the prospect of one or both being forced to capitulate and transfer our healthcare assets to an outside entity, leaving us with no local governance or control while leaving our future at the mercy of out-of-market systems for whom we would simply be part of their feeder system.
Several community leaders got involved and encouraged the two systems to explore the prospects of a merger, utilizing a Certificate of Public Advantage, a legal mechanism allowing competing healthcare systems to cooperate, subject to approval of the attorneys general of the states within which they operate. Under a COPA, there is a mandated public interest standard which must be met to ensure that the absence of competition in certain healthcare decisions is offset by clear advantage and promotion of the public good.
Thankfully, through tireless negotiation and due diligence, these two systems put ego on the back burner and have arrived at an agreement they will present to the regulators for their approval.
While there will be inevitable bumps in the road, and pain relating to the decisions to resolve duplication and gain economies of scale, the outcome will be a game-changer for our region. This decision is truly a once-in-a-generation event and will ensure our unfettered access to quality in-market healthcare into the foreseeable future.
From an economic standpoint, we will see continued growth in the healthcare sector, as ETSU Medical School pursues opportunities in the medical research arena and as merged centers of excellence allow large enough scale to recruit specialties and technology formerly requiring travel to larger medical centers for access.
No, it won’t happen overnight, but our region will begin to feel more like the metro we are as we accelerate our interaction between the cities and enjoy the fruits that come from access to a larger population.
The healthcare sector will continue to be one of the most important economic sectors of our regional economy.
We owe a great debt of gratitude to the members of the boards of directors of Wellmont and Mountain States for their efforts in achieving a structure through which the future healthcare needs of this region will be met. We ask our attorneys general and regulators to move forward with the Certificate of Public Advantage for the benefit of the citizens of our region.
Proposed health care system needs community support

Wellmont Health System and Mountain States Health Alliance, the two hospital systems in our area, propose to merge. These two systems are very important to all who call this area home, so some of us are watching this proposal closely, and wondering how this might affect my family and me.

I have heard some people ask about the impact on jobs and the potential that physicians will move. Others believe the merger will save our area’s health care and actually improve it.

From my perspective, the opportunity to align two health systems in our region is the best option to preserve jobs and maintain an optimal level of health care services. Already vested in our region, Wellmont and Mountain States understand our needs and the people who deliver our care and would be more focused on preserving employment than an organization based outside our region. Efficiencies gained through this proposed merger can be reallocated to new and enhanced services staffed by people who have served us for years.

History is often a good guide for determining the future. I believe we have an excellent example of the effects of the proposed merger by looking back a few years to the formation of Wellmont.

Holston Valley Medical Center in Kingsport and Bristol Regional Medical Center in Bristol merged in 1996 to form Wellmont. These were two of the largest hospitals in our area, and were fierce competitors. Physicians in Kingsport looked at physicians in Bristol as competitors and vice versa. There were all the opinions of jobs that would be lost and our health care would even diminish. In general, there was a fear, and it was expressed as “we don’t want to lose our hospital.”

I was asked to serve on the Bristol Regional board of directors just prior to the agreement to merge with Holston Valley, and then I was chosen to serve on the initial Wellmont board. So I was privileged to see that merger up close.

Eddie George was Wellmont’s first president and CEO, and his leadership during this very tenuous, formative stage helped us to make steady progress. We encountered some challenges in the community, but support gradually came, resulting in steady progress that has led to the outstanding system we enjoy today.

I served as Wellmont’s second chairman of the board from 2000 until 2002. During that time, our board realized there were services needed in our area that we couldn’t afford to provide. At the time, we explored partnering with Mountain States so the area could benefit tremendously by those services being offered here at home and not in a distant market.

Executives and board members from both systems held a series of joint meetings over several months to find areas where we could work together. Those conversations did not lead to an agreement, but I can still remember some of the ideas and areas we discussed. One was a burn center. Burn Centers are not profit centers but could be a service to the community if the systems combined their efforts. But, as I earlier indicated, at the time both groups, for very legitimate reasons, could not come to an agreement for joint projects.
Time has proven those community fears to be unfounded, and many of the physician practices that once competed eventually merged and became partners. The Wellmont merger was the foundation for the great health care we now enjoy. What was already a great heart program has reached another level of excellence that has been repeatedly recognized nationally. Wellmont has developed an exceptional robotics program and our cancer services have created a unified, system wide approach to care that greatly benefits patients.

As we approach the merger of Wellmont and Mountain States, we can see the same scenario playing out.

If the Wellmont merger of 1996 is an appropriate model for success — and I believe it is — in a few years this area will look back and see physician practices working together and the new health care organization attaining even greater stature across the country. But, we must give the proposed system the full support of our community if the first baby steps are to result in rapid development of a health care system that will be the envy of the nation.

Joe Macione is a retired television executive and accountant, and a former member and chairman of the board directors for Wellmont Health Systems.
More mental health services needed
Guess we can’t count our chickens before they hatch, but Wellmont and Mountain States seem to have agreed to pursue a merger. A merger is the best option, and my hat is off to both boards for their decision. Now the hard job is ahead for both organizations. Integrating processes and procedures, staffing, and making the hard decisions while consolidating will be no easy task. We don’t hear much about progress, but we do know the work is progressing. The news we have seen over the last couple of years begs to meet the need for mental health and substance abuse services in our country and in the Kingsport area. As far as I know, Wellmont does not offer such services, and I strongly encourage the new organization to include a facility in Kingsport to offer citizens professional help. Almost every day something is reported which typically highlights this type of issue. Such issues may be on the rise today, but they just may be ignored by both the public and health care institutions. Many simply don’t believe people really can have real mental health problems and simply turn their heads. Even our governor has proposed to eliminate significant funds for Medicaid covering this type of problems. I hope the new organization will recognize these services are serious and need to be addressed in our region. Due diligence and developing the right organizational structure are extremely important to our region, and I feel more confident every day these two organizations will surface with the right plan resulting in the best care possible for all of us.

James Wallin
Kingsport
Health systems merger is best choice for region

TO THE EDITOR:
Wellmont Health System and Mountain States Health Alliance, the two health systems in our area, proposed to merge. These two systems are very important to all of us that call this area “home,” so some of us are watching this proposed merger and wondering how this might affect my family and me. Of course, there are varying opinions. I have heard some people ask about the impact on jobs and the potential physicians will move, which could impact the availability of health care services. Others believe the merger will save our area’s health care and actually improve it.
From my perspective, the opportunity to align two health systems in our region is the best option to preserve jobs and maintain an optimal level of health care services. Already vested in our region, Wellmont and Mountain States understand our health needs and the people who deliver our care and would be more focused on preserving employment than an organization based outside our region. Efficiencies gained through this proposed merger can be reallocated to new and enhanced services staffed by people who have served us for years. History is often a good guide for determining the future. I believe we have an excellent example of the effects of the proposed merger by looking back a few years to the formation of Wellmont.
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I was asked to serve on the Bristol Regional board of directors just prior to the agreement to merge with Holston Valley, and then I was chosen to serve on the initial Wellmont board. So I was privileged to see this merger up close. Eddie George was Wellmont’s first president and CEO, and his leadership during this very tenuous formative stage helped us to make steady progress. We encountered some challenges in the community, but support gradually came, resulting in steady progress that has led to the outstanding system we enjoy today.

I served as Wellmont’s second chairman of the board from 2000 until 2002. During that time, our board realized there were services needed in our area we couldn’t afford to provide. We explored whether we could partner with Mountain States so the area would benefit tremendously by those services being offered here at home and not in a distant market.

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JOE MACIONE
BRISTOL, TENN.
History offers guide for Wellmont-MSHA merger

Wellmont Health System and Mountain States Health Alliance are very important to all who call this area home, so some of us are watching this proposed merger and wondering how it might affect our families.

I have heard some ask about the impact on jobs and the potential that physicians will move, which could impact the availability of health care.

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The opportunity to align two health systems in our region is the best option to preserve jobs and maintain an optimal level of health care services. Already vested in our region, Wellmont and Mountain States understand our health needs and the people who deliver our care and would be more focused on preserving employment than an organization based outside our region. Efficiencies gained through this proposed merger can be reallocated to new and enhanced services staffed by people who have served us for years.

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But we must give the proposed system the full support of our community if the first baby steps are going to result in the rapid development of a health care system that will be the envy of the nation.

Joe Macione is a former Wellmont board member and chairman.
No treatment prevents medical fraud

In reference to the letter to the editor of July 3 from James Wallin, he seems to be advertising for more profits to be made by the health care industry. I would hope that the merger of the two big health care outfits would lessen hospital and health bills for us, the blue collar people, not establish yet another expansive cost category.

He seems to be afraid that there are maniacs out there. As we have learned lately and locally, there really are monsters out there, but they cannot be identified beforehand, not with a citizen's constitutional right to be innocent of possession of mental illness.

Treatments used in the last hundred years have included drugs that cause tardive dyskinesia, killing of brain cells by electric current, removal of reproductive organs, removal or damaging brain lobes, removal of blood sugar. None of these treatments will stop a psychiatrist, psychologist or any M.D. from performing Medicare fraud, overbilling, malpractice and misdiagnosis.

Ina M. McKee
Fall Branch
RCMC Administrator Updates County Supervisors on Numerous Recent Activities And Advancements

Discussion Includes Service Changes, Community Health Needs Assessment, And Merger Update

By: Heather Powers

Russell County Medical Center Administrator Steve Givens presented an update on activities at the facility during the Russell County Board of Supervisors meeting last Monday.

Mr. Givens presented information on three areas which included service changes, results of recent community health needs assessment and an update on the merger between Mountain States Health Alliance and Wellmont Health System.

On June 1st Russell County Medical Center implemented a Hospitalist Program. This means there is in-house coverage with physicians and mid-level providers (Nurse Practitioner and Physician Assistant) that focus solely on inpatient practice. It is led by Dr. Michael Ulrich. Three mid-level providers from the local area have been hired and included Julia Dunn, FNP, Jenny Pruitt, PA, and Amanda Hanson, FNP. They are in the process of recruiting for one additional physician and one mid-level.

RCMC has recruited two family practice physicians that will join C-Health and will continue to recruit for primary care to staff a second primary care clinic.

The move of services to the outpatient setting, increasing difficulty in recruiting and retaining physicians and more challenges they face regarding regional health issues are what are some of the highest rates of cardiovascular disease, diabetes and pulmonary disease in the country, epidemic of addiction and untreated mental illness without access to the right level of inpatient and outpatient treatment and more people admitted to the hospital per thousand than most other areas of the nation.

The vision is that as a combined system, they will unite the resources of both systems with one common purpose to make the next generation of this region healthier than today’s and to make sure those who need health care services today can access the best care available in the nation.

Together, as a single integrated health system and significant employer, the new system will be uniquely able to provide the people they serve with even higher quality, more affordable care, they will aim to be among the best health systems in the nation, known for outstanding clinical outcomes, superior patient experience and affordability, be one of the most attractive health systems for physicians and team members, partner with physicians and clinically integrate to derive new quality and value for the patients, businesses and payors who rely on them, and achieve long-term financial stability and sustainability through the capture of major merger-specific cost-efficiencies, wise stewardship of resources and sound fiscal management.

Community Input Work Groups are being established in the areas of mental health and addiction, health children and families, research and academics, and population health and health communities. The work groups will provide input to solve some of the region’s most challenging health issues.

Givens explained that following a definitive agreement, they will enter a government approval phase that will likely take them through the end of 2015.

During the due diligence and government approval phases and until the moment of closing, both Mountain States and Wellmont will continue “business as usual” as two separate and independent organizations.

Please visit BecomingBetterTogether.org for the latest news, FAQs, resources and more regarding the merger.

MSHA6225
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RCMC has recruited two family practice physicians that will join C-Health and will continue to recruit for primary care to staff a second primary care clinic. A General Surgeon Dr. John Kerr has signed a contract with RCMC and will begin in August. The practice will focus on outpatient surgery and a close relationship with Abingdon General Surgery has been established for emergency surgery and back-up.

Oncology Services will also be available at the hospital by next month. Oncologist Tony Desalvo is returning to the region. He will be based in the Cancer Center in Abingdon and will have a clinic two days per week in Lebanon. In conjunction with the Clinic an infusion center will be started for patients needing Chemotherapy and other infusion services. The infusion center will begin in October.

The final service change Givens reported on is that RCMC is working to expand the psychiatric services to in-patients for RCMC in the next couple years are obesity, cancer, substance abuse, and cardiovascular disease.

As for obesity, self-reported physical inactivity rates among Russell County residents exceed the state average (36% vs. 22%).

Regarding cancer, the annual incidence of lung cancer rates were well above that of the state of Virginia: 78 vs. 64.4 (per 100,000 population).

Substance abuse facts indicate the number of drug deaths in Russell County is nearly 4 times that of the state at 32 vs. 9 (per 100,000 population).

And for cardiovascular disease, the percentage of adults with heart disease in Russell County exceeds that of the state of Virginia: 53% vs. 41.6%. Also, the age-adjusted death rate due to heart disease is well above that of the state of Virginia: 280.53 vs. 173.71 (per 100,000 population).

Givens also presented an update on the merger situation. Wellmont Health System and Mountain States Health Alliance have agreed to exclusively explore the creation of a new, integrated and locally governed health system designed to be among the best in the nation and address the serious health issues that affect our region. It’s an opportunity for the two organizations to come together and build something brand new that reflects what our community really needs today and in the years ahead.

Challenges they face in industry and local are increasing reimbursement cuts, the decline of inpatient volumes,
Needed change

Change is frequently hard. This is especially true when it comes to something as important as the health care of our community.

The proposed merger of Wellmont Health System and Mountain States Health Alliance will change how health care is delivered in Northeast Tennessee and Southwest Virginia, and I am confident these changes will be for the best.

As I have listened to leaders from Wellmont and Mountain States and the community over the last several months, I have become convinced that this partnership will give our communities the best opportunity to navigate the winds of change that are blowing across health care delivery systems throughout our country.

I am particularly impressed with plans to improve mental health services and addiction treatment that are desperately needed in our area. As these organizations integrate, I expect they will free up substantial resources that will improve the overall health of our population and make the cost of care more affordable.

Our hospital has benefited from tremendous community support, and the proposed merger will enable us to retain that local identity. We have a lot to make us proud.

An ancient Chinese proverb states, “When the winds of change blow some people build walls and others build windmills.” Let’s break down the walls between us and work toward a brighter future — together.

DR. CHAD COUCH
Chief Medical Officer
Bristol Regional Medical Center
Hospital merger monopoly would raise medical costs

When hospital networks merge, they cut out the competition. The new joint network dominates the market, creating a monopoly. As a result, patients are forced to deal with the steep prices or go without care. Both my husband and I have been suffering because we cannot afford medical care. We are unable to get health insurance because the price is so high. The cost for healthcare makes it impossible for us to get the treatment we so desperately need.

The medical industry was established with the purpose of helping people. Sadly, the reality is that this couldn’t be further from the truth. Right now, Wellmont and MSHA are considering a merger that would drive costs up dramatically. Instead of providing improved services at more affordable prices, this merger would result in higher prices for the healthcare patients already receive. We need our elected officials to stand up for us and ensure prices do not increase as a result of this merger.

If the cost for care increases, we would likely suffer even more than we do now. I shudder to think of how many people would be forced to go without the medical care they need. To make matters worse, patients would pay higher costs but wouldn’t have access to better doctors or more healthcare options. Nothing would change except the price. This is just not right. How does this protect patients? It seems like this merger would put more money in the networks’ pockets instead of benefiting the community.

Our elected officials need to represent us well. In the crucial weeks ahead, they must do their part to ensure that the cost of medical care does not increase as a result of the Wellmont/MSHA merger. We are suffering enough as it is.

Donna McAninch | Bluff City, Tennessee

MSHA6228
The case for an academic health sciences center

Wilsie Bishop

With the proposed merger of the Wellmont Health System and Mountain States Health Alliance, much has been said about the potential partnership with the new system and East Tennessee State University’s Academic Health Sciences Center. Some in our communities we serve may ask questions about this partnership. Why it is important to have an academic health sciences center? What makes an AHSC critical to health care delivery? How does an AHSC improve the quality of health in a region?

There are just over 120 AHSCs (sometimes referred to as academic health centers or academic medical centers) in the United States. To qualify as an AHSC, an institution must have a college of medicine and at least one other health profession’s school and either own or be affiliated with a major hospital system.

ETSU is fairly unique among AHSCs because of the size and complexity of our academic offerings. We have a college of medicine plus four additional colleges, offering a total of 35 degree programs including 10 doctoral degrees. These colleges are the James H. Quillen College of Medicine, the Bill Gatton College of Pharmacy, the College of Clinical and Rehabilitative Health Sciences, the College of Nursing and the College of Public Health. We also offer extensive graduate medical and graduate pharmacy education through our residency training programs. ETSU enrolls over 4,000 students in these health programs, and, therefore, is a significant provider of health care professionals for our region.

These educational programs affiliate with the two existing health systems as well as the Veterans Affairs Medical Center, Frontier Health and numerous clinics and care delivery sites through the region. In addition, our medical, nursing, dental hygiene and speech and hearing clinics provide greater than 215,000 patient visits per year and greater than $4 million per year in uncompensated care to people of our region.

The merger will position ETSU and other regional academic institutions to build a more robust research infrastructure and attract research dollars that will drive our local economy in new, ambitious ways. The combined resources of the proposed new system could compare favorably to some of the most prominent academic health systems in the nation.

The AHSC at ETSU has a primary care and rural health care delivery focus. It also provides secondary and tertiary care through specialists and sub-specialists in a number of disciplines.

A major responsibility for AHSCs is to educate the health care workforce of the future. Not only do we focus on developing critical thinking, problem-solving, and diagnostic and treatment skills, but at ETSU we also focus on educating health professionals who can work as part of collaborative care teams to provide the most comprehensive and efficient care possible. From the first day students enter one of our programs, they know they will learn in an environment that puts them into teams with students from all of our health disciplines. In these interprofessional teams, they learn the roles and responsibilities of all team members and how to communicate effectively to provide quality patient care.

Ultimately, our patients benefit from this type of teaching style.
The changing health care environment increasingly demands innovation and integration of health service delivery that is best achieved by a team of highly trained professionals working together with a focus on the patient, the patient’s family, and the community. The value added from our AHSC’s focus on interprofessional education translates to a more holistic and more efficient care delivery process.

The research we conduct at ETSU is also focused on translating knowledge gained from scientific and clinical studies to improving the way health care is delivered to the patient and to how the health of whole populations of people can be improved. Our focus is on improving the quality of life and the well-being of those we serve. We believe that ETSU and the new system, working together, could draw down significantly more federal research funding than the institution is able to achieve in the current environment.

This will be the start of a transformational journey for our region to become a major center for research, development and health care innovation. The closer partnership of ETSU with our local health systems creates a learning organization that will be the center of a regional health care hub with a full range of services from understanding and addressing the population health issues of the region to providing education, clinical care and research that will improve the health of our region and a highly educated health care workforce so care and treatment can be provided close to home.

Dr. Wilsie Bishop is ETSU’s vice president for health affairs and the university’s chief operating officer.
Wellmont, MSHA merger would end duplication, bring new services to area

Editor’s note: Guest editorials may not necessarily reflect the opinion of the newspaper. The following is from Fielding Rolston, former Wellmont board chairman and board member.

I support the merger of Wellmont Health System and Mountain States Health Alliance.

Nearly 20 years ago, Holston Valley Medical Center and Bristol Regional Medical Center transformed health care delivery and management in the region when these two excellent tertiary hospitals took the bold step to merge and create Wellmont.

This was a new dynamic for the Tri-Cities. Two years after Wellmont’s formation, Johnson City Medical Center, the region’s other tertiary hospital, had a major opportunity to advance when it acquired several hospitals in the region from Columbia HCA. As a result of this purchase, Mountain States was born.

Wellmont and Mountain States gained more hospitals and medical practices in subsequent years, and the two organizations developed systemwide approaches that yielded impressive results. As the first chairman of the Wellmont board of directors, I viewed this development as beneficial because I felt competition would enhance quality and reduce cost.

The two organizations have elevated the quality of care, which has enabled them to receive frequent awards and assure patients they can receive most care close to home. But I have also witnessed how competition can lead to redundancies among hospitals. Wellmont and Mountain States have been able to strategically determine how to align services and equipment within their own facilities to avoid overlap, but this type of planning was not possible between the two systems.

That has led to some duplicative services and additional costs that could be avoided if the future of health care were envisioned more broadly as one organization. Instead of automatically purchasing the same type of equipment as the other health system for competitive reasons, the new entity could analyze what is needed and allocate resources in a more effective way. It is also likely a consolidated system can bring services to our region that neither of the current systems can justify.

In the spring, Wellmont and Mountain States developed another bold idea — uniting and creating a new organization that will maintain roots in Northeast Tennessee and Southwest Virginia. In learning more about this initiative, I discovered how the proposed merger will enable us to build on our achievements to date and aim to be among the best health systems in the nation.

What I really find appealing about working together is Wellmont and Mountain States will redirect spending away from wasteful duplication that has not added value and instead invest in what evidence has shown will help make our region healthier while controlling costs.

Our two systems have performed great work, but we still have plenty of opportunities before us because our region has some of the highest rates of cardiovascular disease, diabetes and pulmonary disease in the country. Northeast Tennessee and Southwest Virginia are also experiencing an epidemic of addiction and untreated mental illness without access to the proper level of inpatient and outpatient treatment. The consolidated system under local control will focus resources on these opportunities that are specific to our region.
If this proposed merger is approved, we will achieve long-term financial stability and sustainability through major merger-specific cost efficiencies as we exhibit wise stewardship of resources and sound fiscal management. We will also make more of an impact on troublesome health issues and be uniquely able to provide the people we serve with even higher quality and more affordable care.

Having served on the Wellmont board and seen our high-caliber administrators, physicians and other medical personnel in action and knowing the capabilities of those who serve at Mountain States, I am confident these goals are within reach.
Wellmont, MSHA merger would end duplication, bring new services to area

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That has led to some duplicative services and additional costs that could be avoided if the future of health care were envisioned more broadly as one organization. Instead of automatically purchasing the same type of equipment as the other health system for competitive reasons, the new entity could analyze what is needed and allocate resources in a more effective way. It is also likely a consolidated system can bring services to our region that neither of the current systems can justify.

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Having served on the Wellmont board and seen our high-caliber administrators, physicians and other medical personnel in action and knowing the capabilities of those who serve at Mountain States, I am confident these goals are within reach.
**Why an Academic Health Sciences Center**

**Guest Column**

**Dr. Wilkie Bishop**

With the proposed merger of the Wellmont Health System and Mountain States Health Alliance, much has been said about the potential partnership with the new system and East Tennessee State University's Academic Health Sciences Center (AHSC). Some in our communities may have questions about this partnership. Why is it important to have an academic health sciences center in our region? Does an AHSC improve the quality of health in our region? Are there just over 120 AHSCs (sometimes referred to as Academic Health Centers or Academic Medical Centers) in the United States? To quality assurance, the AHSC, an institution must have a college of medicine and at least one other health profession's school and either own or be affiliated with a major hospital system. This is a unique form of health care delivery that is an asset to our region. The merger will post-merge, the AHSC and other regional academic institutions to build a more robust research infrastructure and attract research dollars that will drive local economy in new, ambitious ways.

The combined resources of the proposed new AHSC system could have a significant impact on both the most prominent academic health systems in the nation. The AHSC at ETSU has a primary care and rural health care delivery focus, with a strong emphasis on medical student and postgraduate education. A major responsibility for AHSCs is to advocate for the health care workforce of the future. Not only does the research we conduct at ETSU also focus on translating knowledge gained from scientific and clinical studies to improving the way health care is delivered to the patient and to the health of the whole population of people of all ages. Our focus is on improving the quality of life and the well-being of those with whom we serve. We believe that ETSU and the newly merged regional academic institutions will provide a platform to achieve this in the current environment. The merger will post-merge, the AHSC and other regional academic institutions to build a more robust research infrastructure and attract research dollars that will drive local economy in new, ambitious ways.

The combined resources of the proposed new AHSC system could have a significant impact on both the most prominent academic health systems in the nation. The AHSC at ETSU has a primary care and rural health care delivery focus, with a strong emphasis on medical student and postgraduate education. A major responsibility for AHSCs is to advocate for the health care workforce of the future. Not only does the research we conduct at ETSU also focus on translating knowledge gained from scientific and clinical studies to improving the way health care is delivered to the patient and to the health of the whole population of people of all ages. Our focus is on improving the quality of life and the well-being of those with whom we serve. We believe that ETSU and the newly merged regional academic institutions will provide a platform to achieve this in the current environment. The merger will post-merge, the AHSC and other regional academic institutions to build a more robust research infrastructure and attract research dollars that will drive local economy in new, ambitious ways.
TCAT hosts health roundtable

More than 50 people from throughout the region, representing a wide array of professions, gathered at the Tennessee College of Applied Technology in Elizabethton for the Community Health Roundtable Meeting.

Mountain States Health Alliance and Wellmont Health System hosted the meeting to solicit input concerning the region’s most challenging health issues, as part of their proposed merger. The College of Public Health at East Tennessee State University coordinated the meeting.

The Thursday night event in Elizabethton was one of the health systems’ previously announced work groups initiative that will focus on four key areas: Mental Health & Addiction; Healthy Children & Families; Population Health & Healthy Communities; and Research & Academics.

The event, open to the public, was an organized discussion of what participants considered to be the biggest problems as well as possible methods for improvement.

Those suggestions were made during roundtable discussions and recorded by group leaders. Billy Brooks, ETSU Project Manager of the Work Groups Initiative, served as the facilitator.

Topics ranged from treatment, access and breaking the stigma attached to mental illness, maternity care, support for non-profits that are healthcare-based, economic development, encouraging healthy lifestyles, childhood obesity, the importance of integrated healthcare, and breaking generational de-emphasis on education.

The discussions generated a wall full of yellow sheets of paper covered with ideas and suggestions notated by table leaders.

Todd Norris, Senior Vice President for System Advancement for Wellmont Health System, explained the community input focus of the meeting.

“All of the information we gather this evening will be compiled to guide teams as we look at our regions’ health and ways to improve it,” he said.

Norris also told the group that many of the problems that negatively impact the health of the region’s citizens have been passed down through families.

“This is about, once and for all, breaking some of those generational issues,” he said.

Dr. Randy Wykoff, Founding Dean of the College of Public Health, ETSU, called communities’ efforts to improve health “a complicated issue.”

“The issues are the same throughout most regions,” he said. “All of us are facing significant health challenges.”

Wykoff shared statistics, showing that although Americans are at their peak of longevity, they are far from having the top ranking in the world; the U.S. only ranks 33rd.

“In other words, two and a half dozen countries’ citizens will live longer,” he said.

As a region, Tennessee ranks 43rd in the nation.

Someone born in this region is more likely to die early, based on certain factors, Wykoff said.

“Those factors causing people to die young are based on 30% genetics, 15% social circumstances, 5% environmental exposure, 10% healthcare and 40% behaviors,” he said. “But all of those things, except the genetics, are things we can change.”

The state also has a poor track record when it comes to tobacco and alcohol use and diet, Wykoff said.

In this region, three-fourths of the counties rank worse than the national average.

“These are problems that are more easily prevented than cured,” he added.

“We need to work to get quality healthcare, improve jobs and education and implement behavior change,” Wykoff said. “But we have to work on all of these, because one won’t work with the other two.”

“The key is that we need to work together,” he added. “It has nothing to do with politics, but whether we, as leaders, will make decisions for a healthier future.”
Hospital merger a solution, COPA a protection

By Dr. Bill Greer

Having grown up in East Tennessee, I’ve seen firsthand the healthcare challenges facing our region. I’ve also watched with keen interest as an economics professor and college president. Our beautiful part of the country suffers from above-average instances of diabetes, obesity, and cancer, despite being served by two excellent hospital systems and hundreds of physicians.

It’s unfortunate there isn’t a more direct correlation between this excellent provision of health care and the overall health of the population. Though our health systems are good at saving and extending life, our culture doesn’t consistently support behaviors that prevent disease. And, historically our two health systems have focused their resources on competing with one another for market share through duplication of services and large capital outlays for facilities and equipment.

While competition is generally the best driver of lower prices, this isn’t necessarily the case in industries where there are high barriers to entry, such as the capital investment required of today’s modern hospitals. In these cases, duplication leads to a higher cost of operation and higher prices, not lower. The competitive environment actually takes away our health systems’ ability to thrive under the weight of decreasing reimbursements. In our market, it’s even tougher because 70 percent of the business is paid for by the federal and state governments through Medicare and Medicaid, and for us these fixed government payment rates are at the bottom of the scale nationally. Even though overall costs per episode of care here are relatively low compared to other parts of the country, cost is still impacted by two big factors—the expensive duplication already discussed and the poor health of our population which leads to very high levels of chronic disease and healthcare utilization.

But there is a solution on the horizon. At long last, Wellmont and Mountain States Health Alliance have made it to the negotiation table and are working on a merger to create a better system more focused on improving the overall health of this region. By bringing these two competing systems together, there will be a more efficient allocation of capital dollars, avoiding duplication and increasing quality. These efficiencies can then be reinvested in community health improvement and innovative approaches to developing our regional academic and research economy.

Some, however, have questioned whether this merger will benefit the region or if, instead, higher prices will result. Fortunately, state legislators have wisely been implementing the necessary rules and regulations for the effective operation of a Certificate of Public Advantage (COPA). COPAs have proven effective in our neighboring city of Asheville, North Carolina, and elsewhere. In fact, Mission Health in Asheville has been operating under a COPA for many years. This system has been very successful in creating an efficient model of high-quality health care delivery validated by outside sources.

A COPA, clearing the way for the merger of Mountain States and Wellmont, provides the regulatory oversight necessary to ensure that pricing remains in line with what would be expected in a more competitive environment. With this in place, our region could soon benefit from the advantages that will come from a more efficiently operated hospital system. And, the marketplace can be very effectively protected through the COPA with active state oversight.

Without the provisions made possible through a COPA, either Wellmont or Mountain States might be forced to partner with a larger system outside our region. This could have the undesirable effects of displacing the local control we have enjoyed with our two community-based systems and losing millions of dollars from our local economy, as profits would be siphoned off by a corporation located elsewhere. With this kind of scenario, there would be no COPA to regulate costs or ensure public benefit and the larger system from out of market could potentially leverage increased charges because of their stronger negotiating power. The implementation of a COPA is a much-needed step on the road toward improving the health of this region and advancing the regional economy.

We are blessed with two extraordinary hospital systems, outstanding doctors and nurses, as well as excellent educational institutions that have a mission to ensure our region continues to have committed, well-trained, quality health care workers. The boards of Wellmont and Mountain States are to be commended for their focus on the best solution for the people of our region, and we should all commit to stand with them to see this new vision become reality.

Bill Greer, PhD, is president of Milligan College.
No merger

The proposed merger between Mountain States Health Alliance and Wellmont Health Systems is a terrible idea and officials shouldn’t be considering it no matter how much pressure they face from lobbyists. They are chosen by the people to do what is best for the people, and this is a mistake in the making.

Competition is what makes everything work. Allowing this merger, and thus removing competition from the market, is making way for the formation of a monopoly. Our forefathers wrote that this cannot take place, but this is being ignored.

Our nation’s policy regarding health insurance is already walking a thin line in relation to the rights granted by the Constitution. The health insurance requirement is akin to auto insurance, and the Constitution has stated the government can’t stop us from traveling freely.

The current health insurance system places everyone in one big box, and it’s wrong to pretend that everyone is in the same situation and needs the same coverage.

Our health care system isn’t well off, and at this point, hospital visits sometimes do more harm than good. If Mountain States and Wellmont merge, the situation will only get worse.

I hope that our state officials will honor the wishes of our forefathers when they look at this potential merger and examine the possible impacts on the people of this state.

VANCE CARRIER
Bluff City
Health care changes will be for the best
Change is frequently hard. This is especially true when it comes to something as important as the health care of our community. The proposed merger of Wellmont Health System and Mountain States Health Alliance will change how health care is delivered in Northeast Tennessee and Southwest Virginia, and I am confident these changes will be for the best. As I have listened to leaders from Wellmont and Mountain States and the community over the last several months, I have become convinced that this partnership will give our communities the best opportunity to navigate the winds of change that are blowing across health care delivery systems throughout our country. I am particularly impressed with plans to improve mental health services and addiction treatment that are desperately needed in our area. As these organizations integrate, I expect they will free up substantial resources that will improve the overall health of our population and make the cost of care more affordable. As chief medical officer at Bristol Regional Medical Center, our hospital has benefited from tremendous community support, and the proposed merger will enable us to retain that local identity. We have a lot to make us proud. The physicians and staffs of both systems provide great care to the people in our region. We can be even better together. An ancient Chinese proverb states, “When the winds of change blow some people build walls and others build windmills.” Let’s break down the walls between us and work toward a brighter future — together.
Chad Couch
Bristol
Hospital merger monopoly would raise medical costs

When hospital networks merge, they cut out the competition. The new joint network dominates the market, creating a monopoly. As a result, patients are forced to deal with the steep prices or go without care. Both my husband and I have been suffering because we cannot afford medical care. We are unable to get health insurance because the price is so high. The cost for healthcare makes it impossible for us to get the treatment we so desperately need.

The medical industry was established with the purpose of helping people. Sadly, the reality is that this couldn’t be further from the truth. Right now, Wellmont and MSHA are considering a merger that would drive costs up dramatically. Instead of providing improved services at more affordable prices, this merger would result in higher prices for the healthcare patients already receive. We need our elected officials to stand up for us and ensure prices do not increase as a result of this merger.

If the cost for care increases, we would likely suffer even more than we do now. I shudder to think of how many people would be forced to go without the medical care they need. To make matters worse, patients would pay higher costs but wouldn’t have access to better doctors or more healthcare options. Nothing would change except the price. This is just not right. How does this protect patients? It seems like this merger would put more money in the networks’ pockets instead of benefiting the community.

Our elected officials need to represent us well. In the crucial weeks ahead, they must do their part to ensure that the cost of medical care does not increase as a result of the Wellmont/MSHA merger. We are suffering enough as it is.

Donna McAninch | Bluff City, Tennessee
Sessions to focus on health issues

MSHA, Wellmont set community meetings as they work toward merger

Posted: Wednesday, August 5, 2015 10:00 pm

BY DAVID MCGEE | BRISTOL HERALD COURIER

Two community meetings related to the proposed merger of two local health care systems have been scheduled for later this month.

Mountain States Health Alliance and Wellmont Health System have scheduled the first meetings Aug. 13 at the Tennessee College of Applied Technology in Elizabethton, Tennessee, and Aug. 20 at the Southwest Virginia Higher Education Center in Abingdon, Virginia. Both are scheduled to begin at 5:30 p.m., according to a written statement.

The meetings won’t deal with details of the merger, but will be work group meetings focused on regional health issues and separate from public meetings expected as part of the state approval process for the proposed merger, officials said.

The College of Public Health at East Tennessee State University will coordinate these and other group meetings to give residents an opportunity to provide input on the most pressing health concerns in their communities. Meetings will be held in various locations throughout the region, with a goal of soliciting input from a broad audience, including rural areas.

“Here in our region, there is a cycle of poor health that we see being passed from one generation to the next,” Dr. Randy Wykoff, dean of the ETSU College of Public Health, said in the statement. “Our goal is to gather information that will allow the proposed new health improvement organization to use its resources to help break that intergenerational cycle of poor health. The proposed merger between Mountain States and Wellmont affords our region the opportunity to impact health in ways that weren’t possible in the past, so this is a very exciting opportunity from a public health perspective.”

This is part of the previously announced initiative that will focus on mental health and addiction, healthy children and families, population health and healthy communities and research and academics. More than 100 community members have already agreed to participate through the BecomingBetterTogether.org website, and dozens more were recommended by key stakeholders as valuable participants in the process, according to the statement.

Officials of both health systems have said that a key benefit of a merger would allow for possible elimination of duplicated services and repurposing assets to deal with addiction, mental health and other areas to improve the region’s overall health.

Eight prominent health care and community leaders will chair the four work groups. They include:

» Dr. Teresa Kidd, president and CEO of Frontier Health, and Eric Greene, senior vice president of Virginia services for Frontier Health, who will head up mental health and addiction;
» Dr. David Wood, chair of the Department of Pediatrics at ETSU and chief medical officer of Niswonger Children’s Hospital, and Travis Staton, CEO of United Way of Southwest Virginia, who will oversee healthy children and families;

» Dr. Randy Wykoff, dean of ETSU’s College of Public Health, and Lori Hamilton, a registered nurse and director of healthy initiatives for K-VA-T Food City, who will chair the population health and healthy communities group;

» Dr. Wilsie Bishop, vice president for health affairs and chief operating officer of ETSU, and Jake Schrum, president of Emory & Henry College, who will manage the research and academics group.

“This is a tremendously talented group of individuals with expertise that spans multiple disciplines and geographic regions,” said Bart Hove, president and CEO of Wellmont. “We are honored to have them on board in this process and will benefit from their broad knowledge and community involvement.”

Anyone who wishes to attend a meeting is asked to register online at BecomingBetterTogether.org. Additional meetings will be scheduled in the coming weeks and that schedule will appear on the website, according to the statement.

Meetings will be organized in small discussion groups and ETSU staff will record the information presented and compile findings into a comprehensive report that will be used by the proposed new health system.

The Elizabethton center is located at 425 state Route 91 and the Abingdon facility is at 1 Partnership Circle, near Interstate 81’s Exit 14.
MSHA, Wellmont to hold community meetings about health care issues ahead of merger

Contributed To The Press • Updated Aug 5, 2015 at 12:56 PM

The following is a news release issued today from Mountain States Health Alliance and Wellmont Health Systems regarding community meetings regarding the proposed merger:

Mountain States Health Alliance and Wellmont Health System have scheduled a series of community meetings to solicit input as the organizations work together to solve some of the region’s most challenging health issues, as part of the proposed merger.

The meetings are part of the health systems’ previously announced work groups initiative that will focus on four key areas: Mental Health & Addiction; Healthy Children & Families; Population Health & Healthy Communities; and Research & Academics. More than 100 community members responded to the call for participation through the BecomingBetterTogether.org website, and dozens more were recommended by key stakeholders as valuable participants in the process.

“We are pleased with the sincere interest throughout the region, and we are grateful for these distinguished members of the community who have agreed to lead these work groups,” said Alan Levine, president and CEO of Mountain States.

Eight community leaders have agreed to serve as chairpersons leading the four work groups:

Mental Health & Addiction: Dr. Teresa Kidd, president and CEO of Frontier Health, and Eric Greene, senior vice president of Virginia services for Frontier Health;
Healthy Children & Families: Dr. David Wood, chair of the department of pediatrics at East Tennessee State University and chief medical officer of Niswonger Children’s Hospital, and Travis Staton, CEO of United Way of Southwest Virginia;

Population Health & Healthy Communities: Dr. Randy Wykoff, dean of ETSU’s College of Public Health, and Lori Hamilton, RN, director of healthy initiatives for K-VA-T Food City;

Research & Academics: Dr. Wilsie Bishop, vice president for health affairs and chief operating officer of East Tennessee State University, and Jake Schrum, president of Emory & Henry.

“This is a tremendously talented group of individuals with expertise that spans multiple disciplines and geographic regions,” said Bart Hove, president and CEO of Wellmont. “We are honored to have them on board in this process and will benefit from their broad knowledge and community involvement.”

The public has a critical role to play in this process. The College of Public Health at East Tennessee State University (ETSU) will coordinate a series of community round table meetings designed to give residents an opportunity to provide input on the most pressing health concerns they see in their communities. The round table meetings will be held in various locations throughout the region, with a goal of soliciting input from a broad audience, including rural areas.

In addition, Wellmont and Mountain States leaders are partnering with ETSU and the work group chairs to assemble steering committees for each focus area. The steering committees will hold separate meetings to examine top health issues and also review presentations from health experts and community members. Wellmont and Mountain States officials are working with the eight chairpersons to finalize membership for the steering committees. Once complete, the members’ names will be posted on BecomingBetterTogether.org. Both the community round table meetings and the work group steering committee meetings are open to the public.

The first two community round table meetings will take place on August 13th and 20th.

Thursday, August 13, 5:30 – 7:30 p.m
Community members who wish to attend a meeting are asked to RSVP online at BecomingBetterTogether.org. Additional meetings will be scheduled in the coming weeks; for the most up-to-date schedule, visit BecomingBetterTogether.org.

The public meetings will be facilitated by ETSU’s College of Public Health and will feature a “world café” style discussion with participants circulating through a series of small group tables to exchange thoughts and ideas. ETSU staff will record the information presented during the meetings and compile findings from the meetings into a comprehensive report that will be used by the proposed new health system.

“Here in our region, there is a cycle of poor health that we see being passed from one generation to the next,” said Dr. Randy Wykoff, dean of the ETSU College of Public Health. “Our goal is to gather information that will allow the proposed new health improvement organization to use its resources to help break that intergenerational cycle of poor health. The proposed merger between Mountain States and Wellmont affords our region the opportunity to impact health in ways that weren’t possible in the past, so this is a very exciting opportunity from a public health perspective.”
Wellmont, MSHA schedule community meetings on merger

August 5th, 2015 2:33 pm by HANK HAYES

KINGSPORT — Mountain States Health Alliance and Wellmont Health System announced Wednesday they have scheduled a series of community meetings to solicit input as part of their proposed merger.

In a prepared release, the health systems said the meetings are part of their previously announced work groups initiative to focus on four key areas: Mental Health & Addiction; Healthy Children & Families; Population Health & Healthy Communities; and Research & Academics.

More than 100 community members responded to participate in the meetings through the systems’ BecomingBetterTogether.org website.

The chairpersons of the four work groups are:

Mental Health & Addiction: Dr. Teresa Kidd, president and CEO of Frontier Health, and Eric Greene, senior vice president of Virginia services for Frontier Health.

Healthy Children & Families: Dr. David Wood, chair of the department of pediatrics at East Tennessee State University and chief medical officer of Niswonger Children’s Hospital, and Travis Staton, CEO of United Way of Southwest Virginia.

Population Health & Healthy Communities: Dr. Randy Wykoff, dean of ETSU’s College of Public Health, and Lori Hamilton, RN, director of healthy initiatives for K-VA-T Food City.

Research & Academics: Dr. Wilsie Bishop, vice president for health affairs and chief operating officer of East Tennessee State University, and Jake Schrum, president of Emory & Henry.

The College of Public Health at East Tennessee State University (ETSU) will coordinate a series of community round table meetings to give residents an opportunity to provide input on the most pressing health concerns they see.

The first two community round table meetings will take place on Thursday, Aug. 13, from 5:30 – 7:30 p.m. at the Tennessee College of Applied Technology in Elizabethton, Tenn.; and Thursday, Aug. 20, 5:30 – 7:30 p.m. at the Southwest Virginia Higher Education Center in Abingdon, Va.

Community members who wish to attend a meeting are asked to RSVP online at

MSHA6246
The public meetings will be facilitated by ETSU’s College of Public Health and will feature a “world café” style discussion with participants circulating through a series of small group tables to exchange thoughts and ideas, according to the release.

ETSU staff will record the information presented during the meetings and compile findings from the meetings into a comprehensive report that will be used by the proposed new health system.
Community meetings this month before health systems’ merger

By Lenny Cohen, Digital Media Manager, LCOhen@wcyb.com

POSTED: 1:59 PM Aug 05 2015

Mountain States Health Alliance and Wellmont Health System are taking another step as part of their proposed merger. They scheduled a series of meetings for community input, in order to solve some of the region’s most challenging health issues.

The meetings will be facilitated by East Tennessee State University’s College of Public Health and will feature a “world café” style discussion. Participants will circulate through a series of small group tables, to exchange thoughts and ideas. ETSU staff will record the information presented and compile findings into a comprehensive report that’ll be used by the proposed new health system.

The first two meetings will take place August 13 and 20, and are open to the public.

- Thursday, August 20, 5:30 – 7:30pm. Southwest Virginia Higher Education Center, One Partnership Circle, Abingdon, Va.

Community members who want to go should RSVP by clicking here. Also, more meetings will be scheduled and information on them will appear at the same link.

The health systems had announced a work groups initiative to focus on four key areas: Mental Health & Addiction; Healthy Children & Families; Population Health & Healthy Communities; and Research & Academics.

Eight community leaders will serve as chairpersons:

- Mental Health & Addiction: Dr. Teresa Kidd, president and CEO of Frontier Health, and Eric Greene, senior vice president of Virginia services for Frontier Health;
- Healthy Children & Families: Dr. David Wood, chair of the department of pediatrics at East Tennessee State University and chief medical officer of Niswonger Children’s Hospital, and Travis Staton, CEO of United Way of Southwest Virginia;
- Population Health & Healthy Communities: Dr. Randy Wykoff, dean of ETSU’s College of Public Health, and Lori Hamilton, RN, director of healthy initiatives for K-VA-T Food City;
- Research & Academics: Dr. Wilsie Bishop, vice president for health affairs and chief operating officer of East Tennessee State University, and Jake Schrum, president of Emory & Henry.

“Here in our region, there is a cycle of poor health that we see being passed from one generation to the next,” said Dr. Randy Wykoff, dean of the ETSU College of Public Health. “Our goal is to gather information that will allow the proposed new health improvement organization to use its resources to help break that intergenerational cycle of poor health. The proposed merger between Mountain States...
and Wellmont affords our region the opportunity to impact health in ways that weren’t possible in the past, so this is a very exciting opportunity from a public health perspective.”

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Efforts to combine the region’s two major health care systems are progressing, but officials aren’t discussing a specific timetable for completing the agreement, which was expected this month.

A 12-member group of executives and physicians from Wellmont Health System and Mountain States Health Alliance is drafting a definitive agreement that is to spell out how the system would look and function. Those efforts are continuing, according to a joint statement from both organizations in response to questions from the Bristol Herald Courier.

“We are still exploring how our proposed future organization will look and how to best join together,” according to the statement. “The integration council and joint board task force are overseeing this planning effort and are tasked with considering a variety of focus areas, including working to solidify the proposed partnership and engaging with key stakeholders — our employees, physicians, and the community — to understand what’s important to them. The process is moving forward as planned, and we are strongly committed to the vision we set forth.”

In May, Wellmont CEO Bart Hove told the newspaper that work was occurring at a “fast and furious pace” and the definitive agreement was expected “by August.”

“At this point, our work is moving forward as it should be. We have not encountered any unforeseen stumbling blocks, and once we reach agreement on a proposed merger, we will pursue the regulatory process in Tennessee and Virginia,” the statement reads.

Among its tasks, the integration council is charged with conducting a cultural assessment and to ensure that due diligence for each system is completed. The council will also coordinate the process for attaining a certificate of public advantage in Tennessee and similar administrative approval from Virginia.

By gaining state approval, the systems hope to avoid a challenge from the Federal Trade Commission.

In Tennessee, the application would be submitted to the Division of Health Service Regulation and Attorney General. In Virginia, the plan would go first to the Southwest Virginia Health Authority board. If approved there, it would be reviewed by the state attorney general and the state health commission.

If authorized, each state would then actively supervise the new health system to ensure it provides affordable, accessible and high-quality health care.

The entire process is expected to continue until the end of 2015, officials previously said.

Joining the two systems means combining 19 hospitals, more than 14,000 employees and a number of clinics and other health care facilities across Southwest Virginia and Northeast Tennessee.

Since the proposed merger was announced, both sides have said the move could result in expanded mental health care, drug addiction treatment and other services not prevalent in the Mountain Empire.
This week, the health systems jointly announced plans for a series of public meetings to discuss the region’s most serious health care needs. Those sessions won’t deal with aspects of the merger.

“The community meetings will provide input that the proposed new health system will use to work with many community partners as we try to solve some of the region’s most challenging health issues,” according to the statement. “These groups, in concert with ETSU, will provide regular updates as well as final findings to the integration council as our organizations work to develop a long-term health improvement plan for the region.”
Press wants questions for MSHA/Wellmont hospital merger forum

FROM STAFF REPORTS • UPDATED AUG 10, 2015 AT 10:41 PM

The Johnson City Press will moderate a town hall meeting on the proposed joining of Mountain States Health Alliance and Wellmont Health System in the Martha Culp Auditorium on the campus of East Tennessee State University on Sept. 16 at 7 p.m.

Publisher Justin Wilcox said the merger is of extreme importance to the entire region, involving more than health care and jobs. The issue also involves talking about local control of many key health delivery decisions.

“It is our obligation as the premier news source in Johnson City to help educate the public and take the lead on issues that matter to our community,” Wilcox said. “We pride ourselves on bringing the facts forward in an unbiased and objective manner and we will continue to do so well into the future. The spirit of cooperation shown by everyone involved echoes how important these changes are to the future of our community.”

The Press knows residents of our region have many questions about this union. And we are certain Alan Levine, CEO of MSHA; Bart Hove, CEO of Wellmont; and Dr. Brian Noland, president of ETSU, wish to answer them as best they can. The Press is proud to act as a facilitator in this crucial communication process.

The format of this town hall meeting will be similar to the candidate forums the Press has successfully held over the past decade. Robert Houk, Press opinion page editor, will serve as moderator. In this role, his job will be to give everyone on the panel an opportunity to speak on this matter.

Levine, Hove and Noland will each be allotted 3 minutes for an opening statement. We will also ask participants to limit their answers to less than 2 minutes so we can get in as many questions as possible. We will be asking a few questions that our editorial board and news staff think are appropriate. More importantly, we will be taking questions from the audience and from social media.

We will also be soliciting questions beforehand on our website, Johnsoncitypress.com, and on Facebook and Twitter. You can send your questions to Mailbag, P.O. Box 1717, Johnson City, TN 37605-1717, or mailbag@johnsoncitypress.com. Or by tweeting them to @JCPress using the hashtag #MergerTalk.

These questions will be screened based on their relevance. Because our time will be limited, we will try to select questions that have been asked most by the audience.
TCAT hosts health roundtable

More than 50 people from throughout the region, representing a wide array of professions, gathered at the Tennessee College of Applied Technology in Elizabethton for the Community Health Roundtable Meeting.

Mountain States Health Alliance and Wellmont Health System hosted the meeting to solicit input concerning the region’s most challenging health issues, as part of their proposed merger. The College of Public Health at East Tennessee State University coordinated the meeting.

The Thursday night event in Elizabethton was one of the health systems’ previously announced work groups initiative that will focus on four key areas: Mental Health & Addiction; Healthy Children & Families; Population Health & Healthy Communities; and Research & Academics.

The event, open to the public, was an organized discussion of what participants considered to be the biggest problems as well as possible methods for improvement.

Those suggestions were made during roundtable discussions and recorded by group leaders. Billy Brooks, ETSU Project Manager of the Work Groups Initiative, served as the facilitator.

Topics ranged from treatment, access and breaking the stigma attached to mental illness, maternity care, support for non-profits that are healthcare-based, economic development, encouraging healthy lifestyles, childhood obesity, the importance of integrated healthcare, and breaking generational de-emphasis on education.

The discussions generated a wall full of yellow sheets of paper covered with ideas and suggestions notated by table leaders.

Todd Norris, Senior Vice President for System Advancement for Wellmont Health System, explained the community input focus of the meeting.

“All of the information we gather this evening will be compiled to guide teams as we look at our regions’ health and ways to improve it,” he said.

Norris also told the group that many of the problems that negatively impact the health of the region’s citizens have been passed down through families.

“This is about, once and for all, breaking some of those generational issues,” he said.

Dr. Randy Wykoff, Founding Dean of the College of Public Health, ETSU, called communities’ efforts to improve health is “a complicated issue.”

“The issues are the same throughout most regions,” he said. “All of us are facing significant health challenges.”

Wykoff shared statistics, showing that although Americans are at their peak of longevity, they are far from having the top ranking in the world; the U.S. only ranks 33rd.

“In other words, two and a half dozen countries’ citizens will live longer,” he said.

As a region, Tennessee ranks 43rd in the nation.

Someone born in this region is more likely to die early, based on certain factors, Wykoff said.

“Those factors causing people to die young are based on 30% genetics, 15% social circumstances, 5% environmental exposure, 10% healthcare and 40% behaviors,” he said. “But all of those things, except the genetics, are things we can change.”

The state also has a poor track record when it comes to tobacco and alcohol use and diet, Wykoff said.

In this region, three-fourths of the counties rank worse than the national average.

“These are problems that are more easily prevented than cured,” he added.

“We need to work to get quality healthcare, improve jobs and education and implement behavior change,” Wykoff said. “But we have to work on all of these, because one won’t work with the other two.”

“The key is that we need to work together,” he added. “It has nothing to do with politics, but whether we, as leaders, will make decisions for a healthier future.”
Bill Greene

When, in January 2014, Wellmont Health System announced it was planning to find "strategic alliances," that meant the possibility existed of selling Wellmont to an outside system. Bill Greene of Bank of Tennessee understood this, and, like many in the business community, worried about the loss of local control. He believed the boards of both local systems should consider the practicality of a local combination as the first option, and he stated that case publicly. This movement gained steam. Greene facilitated meetings with legislators, attorneys general and others to make sure the combination could happen legally though COPA, and ensured ETSU was plugged into the discussions to assess the impact and potentially provide a research element to the combination. If the boards of both systems moved past years of institutional momentum away from each other, then Bill Greene deserves credit for making it easier and more practical to move toward each other.
CUP OF KINDNESS AWARDS

The Meritorious Service Award

Wellmont Health System and Mountain States Health Alliance boards

The Meritorious Service Award is given annually to someone who has shown excellence in administration or leadership. With respect to the many individual leaders who have performed with distinction in the year since our last awards ceremony, none have performed so conspicuously, and with such courage, as the boards of Wellmont Health System and Mountain States Health Alliance. The two systems have what might politely be called a rich history of competition. So for them to come together in a proposed merger represents a sea-change in both cultures. Yet both boards recognized over the course of the last year that the creation of a new entity would allow control of hospital care in both systems to remain local. Some of the factors that led to this decision are widely known, others will remain known only to the members of the boards. But what is clear to all is that two entities with enormous influence in and over the community have put aside years of decisions that made business sense in terms of competing with each other, but created a less-than-ideal spread of resources through the region — and have agreed to replace that with a locally-controlled system that offers the opportunity to better serve the patients, businesses and communities they serve.
Mountain States Health Alliance and Wellmont Health System have scheduled a series of community meetings to solicit input as the organizations work together to solve some of the region’s health issues, as part of a proposed merger of the two entities.

The meetings are part of the health systems’ previously announced work groups initiative that will focus on four key areas: Mental Health & Addiction; Healthy Children & Families; Population Health & Healthy Communities; and Research & Academics.

The first meeting will be held at the Tennessee College of Applied Technology, 425 Tenn. Highway 91, Elizabethton, on Aug. 13 from 5:30-7:30 p.m.

A second meeting will be held the Southwest Virginia Higher Education Center, One Partnership Circle, Abingdon, Va., on Aug. 20 from 5:30-7:30 p.m.

More than 100 community members responded to the call to participate in the work groups through the BecomingBetterTogether.org website, and dozens more were recommended by key stakeholders.

“We are pleased with the sincere interest throughout the region, and we are grateful for these distinguished members of the community who have agreed to lead these work groups,” said Alan Levine, president and CEO of Mountain States.
MSHA, Wellmont hold community meeting on region’s health issues

Systems hosting public input sessions as they work toward planned merger

Posted: Friday, August 21, 2015 12:19 am

BY KAYLAN BRICKEY | BRISTOL HERALD COURIER

ABINGDON, Va. — More than 30 people turned out Thursday night for a community meeting held by the region’s two health care systems to discuss ways to work together to solve the region’s health issues as the two work toward a proposed merger.

The meeting was held by Wellmont Health System and Mountain State Health Alliance at the Southwest Virginia Higher Education Center. It was the second community gathering — the first was held Aug. 13 in Elizabethton, Tennessee.

The gatherings are part of the previously announced work groups’ initiative that will focus on four key areas: mental health and addiction; healthy children and families; population health and healthy communities; and research and academics.

“This is kind of a way of giving the public a voice at that table in order to discuss the most pressing issues of the region,” said Teresa Hicks, MSHA’s communications manager.

The attendees were divided up into groups of six with a host at the head of each table to help facilitate discussion. The “world café style” discussion was intended to help initiate open conversation with two rounds of conversation around the question of “What can the community do to improve health?”

For each round, participants went to different tables to answer the same question, but with a different group of people.

East Tennessee State University’s College of Public Health officials led the discussion.

“The idea of this is that at the end of the night we’ll be able to walk out with a good idea and understanding as to what the issues are of concern to this community and also some of the ideas that they have. Like I say, I like to keep the public in public health,” said Randy Wykoff, dean of ETSU’s College of Public Health.

Some main concerns raised during Wyoff’s presentation were the behavioral issues of smoking and prescription drug abuse that plague the region along with obesity. Other concerns were social issues such as lack of education and the scarce job market.

Margaret Feierabend, Alice McCaffrey and Vicki Hash were part of one of the roundtable discussions and commented on the initial question at hand.

Feierabend, a Bristol Tennessee councilwoman, said: “Part of the problem is if people want to change their behaviors, they need professional care to be able to take care of that, and if they are utilizing or have access to the health care systems because of transportation, because of culture, so there’s no telling how that health care will impact them. People can’t behavior change without support.”

“The main reason I came to this discussion was to talk about prevention that can prevent all of those behavioral problems,” said McCaffrey.
Hash said, “Prevention is the most important thing we can do. Once a disease has begun, we treat it, but if we had something in place on the homefront to prevent it, we wouldn’t be having to treat it.”

Additional meetings will be scheduled in the coming weeks.

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facebook.com/kaylanbrickeybhc
It’s remarkable how much things change in just a few short years. It seems like yesterday I was writing about the vicious competition between Mountain States Health Alliance and Wellmont Health System.

Now, officials with the two regional health care delivery giants believe they would be “better together.” State officials in Tennessee and Virginia will soon decide if such a marriage between the two should happen.

A decade of so ago, leaders of Mountain States and Wellmont made no attempt to mask their contempt for each other. This acrimony resulted in several bruising battles in Nashville whenever one system tried to plant it’s flag on the other’s turf.

One epic battle was fought over Wellmont’s plans to build a new hospital off State of Franklin Road and Sunset Drive here in Johnson City. The fuss began back in 2000 when Wellmont purchased the property for $6.8 million and unveiled plans to build a $56 million, 65-bed hospital at the site. Wellmont’s announcement was met with opposition by Mountain States and by support from some area residents who posted “We need Wellmont” signs in their front yards.

Wellmont argued the new hospital would provide cost-saving competition for Washington County residents. Mountain States, on the other hand, said the new hospital would be a costly duplication of health care services.

It appeared Wellmont had prevailed in the matter when the state issued the Kingsport-based health care provider a certificate of need to build the new hospital. That victory, however, was short lived. The CON was revoked by the courts after Mountain States successfully appealed the matter.

In 2010, Wellmont and Mountain States ended that squabble with a land swap. Today, a Food City store is being constructed on the tract proposed for the new hospital.

Since the announcement of the Wellmont/Mountain States merger earlier this year, the Press has heard from many of our readers who want to know more about the proposal. That is why this newspaper will hold a Community Town Hall Meeting on the merger at the Martha Culp Auditorium on the campus of East Tennessee State University on Sept. 16.

Although the town hall meeting will begin at 7 p.m., the doors to the auditorium will open 30 minutes before. So come early and get a good seat.

We are sure the residents of our region have many questions about this union. Among the many that come to mind:

• Why should such a merger not be considered a monopoly?
• What operations might change, or facilities close as a result of the merger?
• Would quality of care be improved with a merger?

We are certain our three esteemed panelists — Alan Levine, CEO of Mountain States; Bart Hove, interim CEO of Wellmont; and Dr. Brian Noland, president of ETSU — will answer those and other questions as best they can.

We are currently soliciting questions about the merger at johnsoncitypress.com, as well as on our Facebook and Twitter pages. We will also be taking a few questions from the audience.

You can also submit a question by email to mailbag@johnsoncitypress.com.

Questions will be screened based on their relevance. Because our time will be limited, we will try to select questions that have been asked the most. And questions must deal with issues of the merger, not past controversies, grievances or personalities.

The format of this town hall meeting will be similar to the candidate forums this newspaper has held successfully in recent years. I will serve as moderator. In that role, my job will be to give each member of the panel an opportunity to speak on this matter.

In short, the Press will serve as a facilitator in in getting valuable information about this important merger out to the public. We hope to see you there, but if you can’t make it in person, you can watch it streamed live at johnsoncitypress.com.

Robert Houk is Opinion page editor for the Johnson City Press. He can be reached at rhouk@johnsoncitypress.com. Like him on Facebook: www.facebook.com/ JCPressRobertHouk. Follow him at Twitter.com/houkRobert.
Merger questions
As a health care provider in the Tri-Cities area and as president of the Tennessee Nursing Association, I am writing to lay out some concerns within my profession about the proposed merger of Wellmont Health System and Mountain States Health Alliance.
Getting the business of health care right is essential — or else health care may not work for the communities the system is meant to serve. What happens, for example, when the business and the human sides conflict?
When hospitals merge, there are often accompanying job losses. Admittedly, there is talk among our staffs as to salaries, benefits, even employment — and also to the quality of care for our patients. We have also been told that salaries will be equal to current salaries, but there is always nervousness about that until the first paycheck comes out. We all take great pride in the quality of care to our patients, and we certainly don’t want to see that diminished by the merger.
We are hopeful that this merger, if approved, will bring about better customer service, better quality care and not result in major job losses. But I am concerned that there has been such support in this community for the merger that no one has even raised many questions that need to be asked. Is this merger what’s best for our community in terms of costs, jobs and competition?
Will this merger maintain a quality, competent nursing staff that is essential to top quality clinical outcomes? Should we at least be asking relevant questions about those issues of Wellmont and Mountain States, and expecting honest and thoughtful answers?
FRANCES W. “BILLIE” SILLS
Johnson City
KINGSPORT and JOHNSON CITY, Tenn. – (August 5, 2015) – Mountain States Health Alliance and Wellmont Health System have scheduled a series of community meetings to solicit input as the organizations work together to solve some of the region's most challenging health issues, as part of the proposed merger.

The meetings are part of the health systems' previously announced work groups initiative that will focus on four key areas: Mental Health & Addiction; Healthy Children & Families; Population Health & Healthy Communities; and Research & Academics. More than 100 community members responded to the call for participation through the BecomingBetterTogether.org website, and dozens more were recommended by key stakeholders as valuable participants in the process.

"We are pleased with the sincere interest throughout the region, and we are grateful for these distinguished members of the community who have agreed to lead these work groups," said Alan Levine, president and CEO of Mountain States.

Eight community leaders have agreed to serve as chairpersons leading the four work groups:

- Mental Health & Addiction: Dr. Teresa Kidd, president and CEO of Frontier Health, and Eric Greene, senior vice president of Virginia services for Frontier Health;
Healthy Children & Families: Dr. David Wood, chair of the department of pediatrics at East Tennessee State University and chief medical officer of Niswonger Children's Hospital, and Travis Staton, CEO of United Way of Southwest Virginia;

Population Health & Healthy Communities: Dr. Randy Wykoff, dean of ETSU's College of Public Health, and Lori Hamilton, RN, director of healthy initiatives for K-VA-T Food City;

Research & Academics: Dr. Wilsie Bishop, vice president for health affairs and chief operating officer of East Tennessee State University, and Jake Schrum, president of Emory & Henry.

"This is a tremendously talented group of individuals with expertise that spans multiple disciplines and geographic regions," said Bart Hove, president and CEO of Wellmont. "We are honored to have them on board in this process and will benefit from their broad knowledge and community involvement."

The public has a critical role to play in this process. The College of Public Health at East Tennessee State University (ETSU) will coordinate a series of community round table meetings designed to give residents an opportunity to provide input on the most pressing health concerns they see in their communities. The round table meetings will be held in various locations throughout the region, with a goal of soliciting input from a broad audience, including rural areas.

In addition, Wellmont and Mountain States leaders are partnering with ETSU and the work group chairs to assemble steering committees for each focus area. The steering committees will hold separate meetings to examine top health issues and also review presentations from health experts and community members. Wellmont and Mountain States officials are working with the eight chairpersons to finalize membership for the steering committees. Once complete, the members' names will be posted on BecomingBetterTogether.org. Both the community round table meetings and the work group steering committee meetings are open to the public.

The first two community round table meetings will take place on August 13th and 20th.
• Thursday, August 13, 5:30 – 7:30 p.m. Tennessee College of Applied Technology, 425 TN-91, Elizabethton, Tenn.
• Thursday, August 20, 5:30 – 7:30 p.m. Southwest Virginia Higher Education Center, One Partnership Circle, Abingdon, Va.

Community members who wish to attend a meeting are asked to RSVP online at BecomingBetterTogether.org. Additional meetings will be scheduled in the coming weeks; for the most up-to-date schedule, visit BecomingBetterTogether.org.

The public meetings will be facilitated by ETSU's College of Public Health and will feature a "world café" style discussion with participants circulating through a series of small group tables to exchange thoughts and ideas. ETSU staff will record the information presented during the meetings and compile findings from the meetings into a comprehensive report that will be used by the proposed new health system.

"Here in our region, there is a cycle of poor health that we see being passed from one generation to the next," said Dr. Randy Wykoff, dean of the ETSU College of Public Health. "Our goal is to gather information that will allow the proposed new health improvement organization to use its resources to help break that intergenerational cycle of poor health. The proposed merger between Mountain States and Wellmont affords our region the opportunity to impact health in ways that weren't possible in the past, so this is a very exciting opportunity from a public health perspective."

About Wellmont Health System

Wellmont Health System is a leading provider of health care services for Northeast Tennessee and Southwest Virginia, delivering top-quality, comprehensive health care, wellness, and long-term care services across the region. Wellmont facilities include Holston Valley Medical Center in Kingsport, Tenn.; Bristol Regional Medical Center in Bristol, Tenn.; Mountain View Regional Medical Center in Norton, Va.; Lonesome Pine Hospital in Big Stone Gap, Va.; Hawkins County Memorial Hospital in Rogersville, Tenn.; and Hancock County
Hospital in Sneedville, Tenn. For more information about Wellmont, please visit www.wellmont.org.

**About Mountain States Health Alliance**

Since 1998, Mountain States Health Alliance has been bringing the nation's best health care close to home to serve the residents of Northeast Tennessee, Southwest Virginia, Southeastern Kentucky and Western North Carolina. This not-for-profit health care organization based in Johnson City, Tenn., operates family of 13 hospitals serving a 29-county region. Mountain States offers a large tertiary hospital with level 1 trauma center, a dedicated children's hospital, several community hospitals, two critical access hospitals, a behavioral health hospital, two long-term care facilities, home care and hospice services, retail pharmacies, a comprehensive medical management corporation, and the region's only provider-owned health insurance company. The team members, physicians and volunteers who make up Mountain States Health Alliance are committed to caring for you and earning your trust. For more information, visit www.mountainstateshealth.com.

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Jeff Fleming
Kingsport Blog
Better care

As a cancer survivor, I know how important it is to have access to quality health care and medical specialists close to home.

The proposed merger between Mountain States Health Alliance and Wellmont Health System will provide us with new opportunities to recruit and keep more specialists in Northeast Tennessee and Southwest Virginia. Specialists spend a lot of time and money for their training.

Understandably, they need to be assured of enough patient volume for it to make economic sense for them to locate to a particular region.

Having two competing health care systems made achieving that kind of volume difficult. The proposed merger will allow our physicians to work together to meet the needs of the people of our region, which is why I support it.

JUDY SEATON
Piney Flats
New rules to impact proposed MSHA-Wellmont merger

BY N&N EDITOR ON SEPTEMBER 10, 2015

By Jeff Keeling

“It is the policy of this state, in certain instances, to displace competition among hospitals with regulation to the extent set forth in this part and to actively supervise that regulation to the fullest extent required by law, in order to promote cooperation and coordination among hospitals in the provision of health services and to provide state action immunity from federal and state antitrust law to the fullest extent possible to those hospitals issued a certificate of public advantage under this section.”

Amended section of Tennessee’s Hospital Cooperation Act

Editor’s note: A longer version of this story will appear in the September issue of The Business Journal and at bjournal.com/COPArules.

If they’re to be deemed “better together” by state regulators, the Tri-Cities’ two hospital systems will need to create one system that leads to a healthier regional population, greater access to health care and preventive services, reduction in operating expenses, and lower consumer prices. Oh, and they’ll need a plan to return to two separate systems if the state decides they’re not adequately meeting those and other expectations. That’s the takeaway from a recently published set of Tennessee Department of Health rules COPArules governing Tennessee’s recently amended “Certificate of Public Advantage” (COPA) law that would allow for the proposed merger, and subsequent reduction in competition, it would create.

In addition to protecting the public, a major reason for what Mountain States Health Alliance CEO Alan Levine called a “robust posture” by the state is to steer clear as much as possible of antitrust action by the Federal Trade Commission (FTC). A recent decision out of Georgia upholding an FTC action surrounding a hospital merger was likely front of mind as lawmakers tweaked the COPA law, called the “Hospital Cooperation Act of 1993,” this spring in anticipation of the merger proposal.
“Given the consolidation that’s occurred in the industry, both with hospitals and now with the insurance companies, what’s readily evident to me is that the state is in a better position to know the healthcare marketplace in each area of the state, and is in a better position to regulate it, than Washington is,” Levine told News and Neighbor’s sister publication, The Business Journal, Sept. 3.

Wellmont Health System and Mountain States have, since their April betrothal, been trumpeting the notion that they’ll be “Better Together” following approval and consummation of a merger. The systems also have known and accepted since then that the state will judge whether they’re truly better together, given that a merger will essentially create a monopoly.
With mid-July’s publication of emergency rules promulgated by the Department of Health, the systems learned more about just how high that bar will be. An exhaustive 12-page document drafted by the department’s Malaka Watson and dated July 14 is effective through Jan. 10, 2016 – a date likely to be well into the systems’ application process for a COPA. Those rules flow from several causes: the revision of the law that allows a COPA to be granted and administered by the state; the desire to avoid issues with federal antitrust concerns; and the imminent submission of the Wellmont-Mountain States merger proposal.

The Department of Health rules, which will be replaced at some point by a version that has gone through the standard review and public comment process, govern application for a COPA, “terms of certification issuance,” issuance of a COPA, active supervision by the terms of certification, and modification or termination. They also provide a purpose and definitions, deal with public notice and hearings, and with hearings and appeals.

Bruce Shine discussed Tennessee’s COPA law at an August 2014 public forum in Kingsport.

Bruce Shine is a Kingsport attorney who has followed the local merger talk since it first surfaced in August 2014, and in fact reviewed COPA law for the audience at a public meeting that month in Kingsport. Shine said he is cautiously hopeful that the state rules can create a structure that ensures such a massive change – which also includes a major role for East Tennessee State University – brings about the promised benefits. Shine said a required “index” with proposed measures and baseline values related to the overall population’s health will be a key. Per the rules, potential measures of such an index can include: improvements in the population’s health that exceed measures of national and state improvement; continuity in available services; access and use of preventive treatment; operational savings projected to lower health care costs to payers and consumers; and improvements in quality of
services as defined by surveys of the Joint Commission (the accrediting body for health care organizations).

“The index is going to be the critical thing that determines whether this program is working, whether it’s servicing the people,” Shine said. “And it’s going to be pretty specific. The end effect is that it’s got to show that the advantage (over the current competitive status quo) is clear and convincing. If it doesn’t then they’re out of it.”

The new COPA law itself adds two new benefits that “may result from the cooperative agreement” to the previous list of five. They are, “demonstration of population health improvements in the region served according to criteria set forth in the agreement and approved by the department;” and “the extent to which medically underserved populations have access to and are projected to utilize the proposed services.”

**What the Supremes have to do with it**

The new language introducing the amended COPA law shows clear state efforts to keep any approved COPA free from federal antitrust action. Just as clearly, it is written to avoid a scenario similar to that undergone by the state of Georgia and Phoebe Putney Health System.

In the Phoebe case, the Federal Trade Commission in 2011 objected to Phoebe Putney’s proposed acquisition of rival Palmyra Park Hospital in the Albany, Ga. market. The FTC held that “the deal will reduce competition significantly and allow the combined Phoebe/Palmyra to raise prices for general acute-care hospital services charged to commercial health plans, substantially harming patients and local employers and employees.” After two courts sided with Phoebe, the Supreme Court in 2013 reversed the decision. But by then, it was essentially too late to unwind the merger, a reality that did not escape Ms. Watson in her promulgation of the rules. They require a “plan of separation” that would make it feasible “to return the parties to a Cooperative Agreement to a pre-consolidation state.”

The Supreme Court found that “Georgia has not clearly articulated and affirmatively expressed a policy to allow hospital authorities to make acquisitions that substantially lessen competition.”

The ruling seems to suggest such a policy would have been a path to “state action immunity,” a concept with precedent dating back to a 1943 case, Parker v Brown. That case found state authorities, “are immune from federal antitrust lawsuits for actions taken pursuant to a clearly expressed state policy that, when legislated, had foreseeable anticompetitive effects.”

That is what the amended COPA law attempts to do with its language in Section 2 concerning state policy, “in certain instances,” to displace competition. Another new piece of language in the amended law requires the Department of Health to review the COPA at least annually. If “the likely benefits resulting from a certified agreement no longer outweigh any disadvantages attributable to any potential reduction in competition,” the department can seek a modification, or terminate it (subject to appeal).

“The statute under which they’re operating should give comfort to the public that there’s a structure in place that will protect them from the adverse effects of a merger,” Shine said. “Whether it works or not is an entirely different matter, and there it lies with the commissioner of the Department of Health.”

Levine said while the Department of Health rules are stringent, he’d much rather see the state in charge of ensuring the merger is beneficial to the region – both to the hospital systems and the public.
“I think the reason they’ve done that is the state has to presume, from their perspective, that others may try to do it, too (receive a COPA). They want to establish a precedent that they’re going to be very engaged and they’re going to ask the tough questions, which they should.”

Levine also expressed confidence that the revised COPA law (and a similar new law in Virginia) and the Department of Health’s rules and oversight are more than adequate to assuage federal concerns.

“We’re following decades of precedent under the state action immunity. So we are well within the boundary that we should be operating in, and our commitment is that we’re going to continue to do that.”

Details that will matter

The recently published rules envision, if not require, a new system that’s better than the two current ones at providing health care, and that does it less expensively.

The “big three” general issues that emerge relate to population health, access and cost. On the cost side, the application’s “description of financial performance” must show how the merger can result in lower prices for consumers and better margins for the newly merged system.

The population health and access pieces go somewhat hand in hand. The application must show proposed use of cost savings to fund low or no-cost services – immunizations, mammograms, chronic disease management and the like, “designed to achieve long-term population health improvements.”

The rules regarding every factor can be viewed in their entirety at bjournal.com/COPArules.

Levine has pointed to a COPA governing hospital care in the Asheville, N.C. market as a model for this proposed merger. The Mission system’s cost containment, health results and quality measures all suggest it can be done. Whether that can be successfully emulated, with appropriate variations, in a larger, two-state system is a question that probably won’t be answered until the merger, if approved, has been in place for several years if not longer.

Shine acknowledged that rapid changes in health care have created, “a new ballgame.”

“What the document that is going to be filed with the Department does is set goals and aspirations, and mechanisms for accomplishing those specific goals,” Shine said. “And then the Department says, ‘we’re going to check into, on a regular basis, whether you’ve done this.’

“The question becomes, ‘can those noble goals and aspirations become a reality, and if so, who’s responsible?’ Well, first of all, the new merged entity is responsible. Who should bring to their attention the deficiencies? The public and the commissioner.”

Much of what comes forth during the application process will be public record, and The Business Journal and News and Neighbor will endeavor to provide useful data online. A copy of the amended COPA law can be viewed at bjournal.com/newcopalaw. The old version is at bjournal.com/copalaw. Information on the systems’ merger endeavor, including upcoming public meeting dates, is at becomingbettertogether.org.
Smyth County residents and anyone interested are invited to attend a public meeting next week to offer comments on regional health issues.

Mountain States Health Alliance and Wellmont Health System are conducting a series of community meetings to solicit input as the organizations work together to solve some of the region’s most challenging health issues, as part of their proposed merger.

The two healthcare organizations have agreed to explore the creation of a new, integrated and locally governed health system. The proposed merger was unanimously approved by the boards of directors of both systems.

“The information gathered at these community health roundtable meetings will be used to help build a 10-year plan for health improvement that would be adopted by the potential new health system,” said Lyndsey Hayden, physician relations/business development coordinator for Smyth County Community Hospital. “We want to find new and innovative ways to address the major health issues facing our region and, in order to do that, we need to hear from you!”

The community meeting in Smyth County will take place on Tuesday, Sept. 15, from 5:30 to 7:30 p.m. in the multi-purpose room at Holston Hills Community Golf Course. A light supper will be provided.

Community meetings to discuss healthcare issues are part of the health systems’ previously announced work groups initiative that focus on four key areas: mental health & addiction; healthy children & families; population health & healthy communities; and research & academics.

“Like most communities, our region faces a variety of important public health issues” reads a statement from the health systems. “We want to tackle these health issues with you to make sure we are best meeting our community’s needs today and in the future.”

More than 100 community members responded to the call for participation in this effort through the BecomingBetterTogether.org website, and dozens more were recommended by key stakeholders as valuable participants in the process.
The public has a critical role to play in this process through the community roundtable meetings. There is no fee for participation but community members who wish to attend the meeting are asked to RSVP online at BecomingBetterTogether.org.

The public meeting will be facilitated by ETSU’s College of Public Health and will feature a “world café” style discussion with participants circulating through a series of small group tables to exchange thoughts and ideas. ETSU staff will record the information presented during the meetings and compile findings from the meetings into a comprehensive report that will be used by the proposed new health system.

“Here in our region, there is a cycle of poor health that we see being passed from one generation to the next,” said Dr. Randy Wykoff, dean of the ETSU College of Public Health. “Our goal is to gather information that will allow the proposed new health improvement organization to use its resources to help break that intergenerational cycle of poor health. The proposed merger between Mountain States and Wellmont affords our region the opportunity to impact health in ways that weren’t possible in the past, so this is a very exciting opportunity from a public health perspective.”

Mountain States Health Alliance operates 13 hospitals and numerous outpatient care sites across a 29-county, four-state region, including Smyth County Community Hospital in Marion. Wellmont Health System operates six hospitals and numerous outpatient care sites, serving communities in Northeast Tennessee and Southwest Virginia, including Bristol Regional Medical Center.

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Learn more at BecomingBetterTogether.org.
Next step in health system merger

Posted: Wednesday, September 16, 2015 9:53 pm

BRISTOL HERALD COURIER

Wellmont Health System and Mountain States Health Alliance have filed letters of intent with state regulatory agencies in Tennessee and Virginia seeking their approval of a proposed merger.

The two regional health care systems filed letters with the Tennessee Department of Health indicating the organizations will submit an application for a Certificate of Public Advantage later this fall, according to a joint statement issued Wednesday. They have submitted a similar letter of intent with the Southwest Virginia Health Authority, signaling their intent to request approval by the commonwealth of the anticipated cooperative agreement.

The systems announced in April that they planned to pursue a merger of assets and these notifications are the next steps in the regulatory processes of each state.

“The underlying purpose for the proposed merger is to reduce the growth in health care costs, improve the health of our region and invest in the growth of our economy,” said Alan Levine, president and CEO of Mountain States. “The job creators and employers in our region support this model because they know, as we do, that a locally governed system, under the enforceable agreement of a COPA, will be the best alternative to the widespread consolidation wave happening to hospitals and insurance companies.”

The next move is for both organizations to finalize a definitive agreement, which is another formal step in the process. No date has been set for the proposed merger, but officials of both systems previously said they hoped to complete much of the approval process in 2015.

A COPA in Tennessee and the cooperative agreement approval process in Virginia would allow Wellmont and Mountain States to merge, with the states actively supervising the proposed new health system.

“COPA regulation with active supervision by the states is a proven and effective tool to protect consumers, as opposed to traditional hospital mergers occurring all across the country that do not include state involvement and ongoing oversight,” said Bart Hove, president and CEO of Wellmont. “With this proposed merger, our patients and our region will have access to more choices and health care options than they do today — and more than with any other solution.”

Tennessee’s Department of Health recently released interim regulations governing COPAs in Tennessee, and Virginia’s Department of Health is finalizing rules to oversee similar cooperative agreements in that state. The rules provide a process and framework for state officials to follow in receiving and reviewing applications for a COPA/cooperative agreement and then actively supervising these agreements if approved.

In Virginia, a group of 25 physicians, community members and business leaders recently attended a meeting hosted by the Virginia Department of Health to express their opinions on the proposed regulations as well as their support for the proposed merger, according to the statement.
“We’ve been truly humbled by the outpouring of support we’ve received from business leaders, physicians and the community over the past few months,” Hove said. “It’s great to see that so many people in our region share our excitement about what we’re creating.”
Rules governing hospital merger published

By Jeff Keeling

If they’re to be deemed “better together” by state regulators, the Tri-Cities’ two hospital systems will need to create one system that leads to a healthier regional population, greater access to health care and preventive services, reduction in operating expenses, and lower consumer prices. Oh, and they’ll need a plan to return to two separate systems if the state decides they’re not adequately meeting those and other expectations. That’s the takeaway from a recently published set of Tennessee Department of Health rules governing Tennessee’s recently amended “Certificate of Public Advantage” (COPA) law that would allow for the proposed merger, and subsequent reduction in competition, it would create.

In addition to protecting the public, a major reason for what Mountain States Health Alliance CEO Alan Levine called a “robust posture” by the state is to steer clear as much as possible of antitrust action by the Federal Trade Commission (FTC). A recent decision out of Georgia upholding an FTC action surrounding a hospital merger was likely front of mind as lawmakers tweaked the COPA law, called the “Hospital Cooperation Act of 1993,” this spring in anticipation of the merger proposal.

“Given the consolidation that’s occurred in the industry, both with hospitals and now with the insurance companies, what’s readily evident to me is that the state is in a better position to know the healthcare marketplace in each area of the state, and is in a better position to regulate it, than Washington is,” Levine told The Business Journal Sept. 3.

Wellmont Health System and Mountain States have, since their April betrothal, been trumpeting the notion that they’ll be “Better Together” following approval and consummation of a merger. The systems also have known and accepted since then that the state will judge whether they’re truly better together, given that a merger will essentially create a monopoly.

The systems knew regulators would consider whether and how much improvement would come in access to care, preventive services, cost to consumers and

“It is the policy of this state, in certain instances, to displace competition among hospitals with regulation to the extent set forth in this part and to actively supervise that regulation to the fullest extent required by law, in order to promote cooperation and coordination among hospitals in the provision of health services and to provide state action immunity from federal and state antitrust law to the fullest extent possible to those hospitals issued a certificate of public advantage under this section.”

Amended section of Tennessee’s Hospital Cooperation Act

“(T)he Department is responsible for active state supervision to protect the public interest and to assure that reduction in competition of health care and related services continues to be outweighed by clear and convincing evidence of the likely benefits for the Cooperative Agreement, including but not limited to improvements to population health, access to services and economic advantages to the public. The COPA will be denied or terminated if the likely benefits of the Cooperative Agreement fail to outweigh any
disadvantages attributable to a potential reduction in competition resulting from the Cooperative Agreement by clear and convincing evidence.”

Introduction, Tennessee Department of Health Emergency Rules Governing Hospital Cooperation Act

“We have potentially here a structure to protect the public from the results of this merger. No question about that. There are two parties to keeping that. One is the merged entity. How seriously does it take its responsibility in terms of the index, the requirements? Are they going to be chiseling on it? And is the Commissioner of Health – if this is the only (COPA) in the state – how interested is he going to be? The real advantage of this is we have (Virginia) as well as the state of Tennessee both with a very clear vested interest in seeing this be successful.”

D. Bruce Shine, Kingsport attorney

insurers, operational efficiencies and several other factors when compared to maintaining the status quo, which is inherently preferable at least from an antitrust standpoint.

Alan Levine

With mid-July’s publication of emergency rules promulgated by the Department of Health, the systems learned more about just how high that bar will be. An exhaustive 12-page document drafted by the department’s Malaka Watson and dated July 14 is effective through Jan. 10, 2016 – a date likely to be well into the systems’ application process for a COPA. Those rules flow from several causes: the revision of the law that allows a COPA to be granted and administered by the state; the desire to avoid issues with federal antitrust concerns; and the imminent submission of the Wellmont-Mountain States merger proposal.

The old COPA law wouldn’t have allowed a merger. It envisioned “cooperative agreements” for the sharing, allocation or referral of patients, personnel, and some other services traditionally offered by hospitals. The amended law (amended COPA law) – co-sponsored in the Tennessee Senate by Lt. Gov. Ron Ramsey (R-Blountville) and Johnson City Republican Rusty Crowe – adds the following language
preceding the “sharing” bit: “consolidation by merger or other combination of assets, offering, provision, operation, planning, funding, pricing, contracting, utilization review or management of health services.”

The Department of Health rules, which will be replaced at some point by a version that has gone through the standard review and public comment process, govern application for a COPA, “terms of certification issuance,” issuance of a COPA, active supervision by the terms of certification, and modification or termination. They also provide a purpose and definitions, deal with public notice and hearings, and with hearings and appeals.

Bruce Shine is a Kingsport attorney who has followed the local merger talk since it first surfaced in August 2014, and in fact reviewed COPA law for the audience at a public meeting that month in Kingsport. Shine told The Business Journal he is cautiously hopeful that the state rules can create a structure that ensures such a massive change—which also includes a major role for East Tennessee State University—brings about the promised benefits. Shine said a required “index” with proposed measures and baseline values related to the overall population’s health will be a key. Per the rules, potential measures of such an index can include: improvements in the population’s health that exceed measures of national and state improvement; continuity in available services; access and use of preventive treatment; operational savings projected to lower health care costs to payers and consumers; and improvements in quality of services as defined by surveys of the Joint Commission (the accrediting body for health care organizations).

“The index is going to be the critical thing that determines whether this program is working, whether it’s servicing the people,” Shine said. “And it’s going to be pretty specific. The end effect is that it’s got to show that the advantage (over the current competitive status quo) is clear and convincing. If it doesn’t then they’re out of it.”

The new COPA law itself adds two new benefits that “may result from the cooperative agreement” to the previous list of five. The existing list primarily centers around cost-efficiency, avoidance of duplication of services and improvements in utilization, while the new items relate more specifically to a region’s long-term population health and access to care for people who traditionally struggle to get it. They are, “demonstration of population health improvements in the region served according to criteria set forth in the agreement and approved by the department;” and “the extent to which medically underserved populations have access to and are projected to utilize the proposed services.”

What the Supremes have to do with it

The new language (see the long quote at the top of this article) introducing the revised COPA law shows clear state efforts to keep any approved COPA free from federal antitrust action. Just as clearly, it is written to avoid a scenario similar to that undergone by the state of Georgia and Phoebe Putney Health System.

In the Phoebe case, the Federal Trade Commission in 2011 objected to Phoebe Putney’s proposed acquisition of rival Palmyra Park Hospital in the Albany, Ga. market. The FTC held that “the deal will reduce competition significantly and allow the combined Phoebe/Palmyra to raise prices for general acute-care hospital services charged to commercial health plans, substantially harming patients and local employers and employees.” After two courts sided with Phoebe, the Supreme Court in 2013
reversed the decision. But by then, it was essentially too late to unwind the merger, a reality that did not escape Ms. Watson in her promulgation of the rules. They require a “plan of separation” that would make it feasible “to return the parties to a Cooperative Agreement to a pre-consolidation state.”

The Supreme Court was clear on a couple of points. One was that, “the state legislature’s objective of improving access to affordable health care does not logically suggest that the State intended that hospital authorities pursue that end through mergers that create monopolies.” The other was the finding that “Georgia has not clearly articulated and affirmatively expressed a policy to allow hospital authorities to make acquisitions that substantially lessen competition.”

The ruling seems to suggest such a policy would have been a path to “state action immunity,” a concept with precedent dating back to a 1943 case, Parker v. Brown. That case found state authorities, “are immune from federal antitrust lawsuits for actions taken pursuant to a clearly expressed state policy that, when legislated, had foreseeable anticompetitive effects.”

Bruce Shine

That is what the amended COPA law attempts to do with its language in Section 2 concerning state policy, “in certain instances,” to displace competition. That new section also seeks to include hospitals that have been granted COPAs in that immunity. That, too, would answer precedent, at least according to Cornell University Law School’s Legal Information Institute. The institute adds this to its description of the state action immunity doctrine: “This doctrine can apply to provide immunity to non-state actors as well if a two-pronged requirement is met: (1) there must be a clearly articulated policy to displace competition; and (2) there must be active supervision by the state of the policy or activity.” Whether this newly established policy and the Department of Health’s rules are enough to keep the FTC at bay in the event of a Wellmont-Mountain States merger remains to be seen, but Shine said the attempt is obvious.

Another new piece of language in the amended law also raises the bar, and appears designed to placate the FTC as much as it is to protect consumers. It requires the Department of Health to review the COPA
at least annually. If “the likely benefits resulting from a certified agreement no longer outweigh any disadvantages attributable to any potential reduction in competition,” the department can seek a modification, or terminate it (subject to appeal).

“The statute under which they’re operating should give comfort to the public that there’s a structure in place that will protect them from the adverse effects of a merger,” Shine said. “Whether it works or not is an entirely different matter, and there it lies with the commissioner of the Department of Health.”

Levine has reviewed the Department of Health rules. He said that while they’re stringent, he’d much rather see the states rather than the federal government in charge of ensuring the merger is beneficial to the region – both to the hospital systems and the public.

“I think the reason they’ve done that is the state has to presume, from their perspective, that others may try to do it, too (receive a COPA). They want to establish a precedent that they’re going to be very engaged and they’re going to ask the tough questions, which they should.

“I think it’s preferable to have the state taking it seriously and doing their job in a meaningful way because it reduces the risk that others could say that the state hadn’t been meeting the second prong (the “active supervision” of the state immunity doctrine).”

Levine referenced studies he said have shown that non-regulated acquisitions that the FTC hasn’t seen as anti-competitive have, in some cases, actually led to higher prices or costs in a market. That is the outcome he has previously cautioned could have come about had Wellmont, or Mountain States at some later time, been acquired by a system from outside the region. Levine also expressed confidence that the revised COPA law (and a similar new law in Virginia) and the Department of Health’s rules and oversight are more than adequate to assuage federal concerns.

“We’re following decades of precedent under the state action immunity. So we are well within the boundary that we should be operating in, and our commitment is that we’re going to continue to do that. That’s why I’m glad the state has taken a robust posture. They’re taking it seriously, which takes away the argument that they’re not providing adequate supervision.

“We’re certainly not going to take an adversarial posture with the FTC – if they have questions we’re certainly going to be responsive. But everything we’re doing is transparent, we’re doing it above board, we’re following precedent, we’re following the Supreme Court’s ruling, we’re going to comply with the state’s rules, and I think all of that should give the public comfort, because we’re doing it the right way.”

Details that will matter

The recently published rules are comprehensive. They’re also challenging. They envision, if not require, a new system that’s better than the two current ones at providing health care, and that does it less expensively. They also raise plenty of ancillary issues. For instance, the application must describe “how the Cooperative Agreement prepares and positions the parties to address anticipated future changes in health care financing, organization and accountability initiatives.” It also must address an issue about which many in the community have expressed concern, as it is required to describe, “impact on the health professions workforce including long-term employment and wage levels and recruitment and retention of health professionals.”
The “big three” general issues that emerge, though, relate to population health, access and cost. On the cost side, the application’s “description of financial performance” must include details on projected changes in volume, price and revenue resulting from the merger. It must describe, “how pricing for provider insurance contracts (is) calculated and the financial advantages accruing to insurers, insured consumers and the parties to the Cooperative Agreement.” In other words, it must show how the merger can result in lower prices for consumers and better margins for the newly merged system.

The population health and access pieces go somewhat hand in hand. The application must show proposed use of cost savings to fund low or no-cost services – immunizations, mammograms, chronic disease management and the like, “designed to achieve long-term population health improvements.”

The rules regarding every factor, from finance and cost to services and population health, are too comprehensive to be thoroughly explained in this space. They can be viewed in their entirety at bijournal.com/COPArules. But when it comes to proof of a merger’s effectiveness, much will ride on the measures noted above. Will services remain adequately available? Will access and preventive care be sufficient? Will operational strategies – including eliminating duplicated services where appropriate – yield lower health care costs to payers and consumers? Will quality of acute care improve? And will the population get healthier, and do so at a rate that exceeds health improvements of the population as a whole?

Levine has pointed to a COPA that has governed hospital care in the Asheville, N.C. market since the 1996 merger of Memorial Mission and St. Joseph’s hospitals as a model for this proposed merger. The Mission system’s cost containment, health results and quality measures all suggest it can be done, he said. Whether that can be successfully emulated, with appropriate variations, in a larger, two-state system is a question that probably won’t be answered until the merger, if approved, has been in place for several years if not longer. Levine is confident, and said what he termed “active support” from the business community is a result of people’s belief in the COPA process as a path to better, more affordable health care for the region.

“They’ve done their homework and they’ve seen the results from Mission. Mission’s costs per adjusted admission are lower than all their peers, and Mission’s nowhere near as regulated as we’re proposing to be,” Levine said. “And their charges per admission are lower than their peers. So if the antitrust regulations are designed to prevent pricing going up from beyond what it would have gone up if there was no merger, the case in point is right there.”

Timeline-wise, Levine said the systems have not yet filed their letter of intent, but that it should come soon. A joint board task force and “integration council” both are completing due diligence toward a definitive agreement that will form the basis for the post-merger “health improvement organization.”

Shine acknowledged that rapid changes in health care have created, “a new ballgame.” He called the amended COPA law laudable for its “noble goals and aspirations.”

The Department of Health, using its rules and the proposed cooperative agreement as a framework, will know at least theoretically whether this whole experiment is working, Shine said, based on its review of operational and cost data as well as health outcomes.
“What the document that is going to be filed with the Department does is set goals and aspirations, and mechanisms for accomplishing those specific goals,” Shine said. “And then the Department says, ‘we’re going to check into, on a regular basis, whether you’ve done this.’

“The question becomes, ‘can those noble goals and aspirations become a reality, and if so, who’s responsible?’ Well, first of all, the new merged entity is responsible. Who should bring to their attention the deficiencies? The public and the commissioner.”

Much of what comes forth during the application process will be public record, and The Business Journal will endeavor to provide useful data online. A copy of the amended COPA law can be viewed at bjournal.com/newcopalaw. The old version is at bjournal.com/copalaw. Information on the systems’ merger endeavor, including upcoming public meeting dates, is at becomingbettertogether.org.
KINGSPORT — Wellmont Health System and Mountain States Health Alliance reported Wednesday they have filed a letter of intent with the Tennessee Department of Health, indicating the organizations will submit an application for a Certificate of Public Advantage (COPA) this fall regarding their planned merger.

The two organizations have submitted a similar letter of intent with the Southwest Virginia Health Authority, signaling their intent to request approval by the Commonwealth of the anticipated cooperative agreement between the two systems, according to a prepared release.

These actions, the health care providers said, mark the next steps in the regulatory processes they are following as they explore the creation of a new, integrated and locally governed health system.

“The underlying purpose for the proposed merger is to reduce the growth in health care costs, improve the health of our region and invest in the growth of our economy,” said Alan Levine, president and CEO of Mountain States. “The job creators and employers in our region support this model because they know, as we do, that a locally governed system, under the enforceable agreement of a COPA, will be the best alternative to the widespread consolidation wave happening to hospitals and insurance companies.”

Next, the two organizations will finalize a definitive merger agreement. The date for expected completion of the merger has not been set but will not occur before state approval has been granted.

A COPA in Tennessee and the cooperative agreement approval process in Virginia will allow the states to actively supervise the proposed new health system.

“COPA regulation with active supervision by the states is a proven and effective tool to protect consumers, as opposed to traditional hospital mergers occurring all across the country that do not include state involvement and ongoing oversight,” said Bart Hove, president and CEO of Wellmont.

“With this proposed merger, our patients and our region will have access to more choices and health care options than they do today – and more than with any other solution ... In fact, other paths we explored could have led to loss of local control and jobs to new owners outside the region, as well as increased costs. We believe the proposed merger is the best approach for our community, and we greatly appreciate the hard work of officials in both states to provide a path for our vision to become a reality.”

Tennessee’s Department of Health recently released interim regulations governing COPAs in Tennessee, and Virginia’s Department of Health is finalizing rules to oversee similar cooperative agreements in that state, according to the Wellmont-Mountain States release.

In Virginia, a group of 25 physicians, community members and business leaders recently attended a meeting hosted by the Virginia Department of Health to express their opinions on the proposed regulations as well as their support for the proposed merger.
Copies of the Tennessee and Virginia letters of intent, in addition to other news and updates about the proposed merger, are available at BecomingBetterTogether.org.
WELLMONT, MOUNTAIN STATES FILE LETTERS OF INTENT TO BEGIN REGULATORY APPROVAL PROCESS IN TENNESSEE AND VIRGINIA

Actions mark next steps in the process to pursue state approval for the proposed merger

KINGSPORT and JOHNSON CITY, Tenn. (September 16, 2015) – Wellmont Health System and Mountain States Health Alliance have filed a letter of intent (LOI) with the Tennessee Department of Health, indicating the organizations will submit an application for a Certificate of Public Advantage (COPA) this fall. The two organizations have submitted a similar letter of intent with the Southwest Virginia Health Authority, signaling their intent to request approval by the commonwealth of the anticipated cooperative agreement between the two systems.

These actions mark the next steps in the regulatory processes the organizations are following as they explore the creation of a new, integrated and locally governed health system designed to be among the best in the nation and address the serious health issues that affect our region.

“The underlying purpose for the proposed merger is to reduce the growth in health care costs, improve the health of our region and invest in the growth of our economy,” said Alan Levine, president and CEO of Mountain States. “The job creators and employers in our region support this model because they know, as we do, that a locally governed system, under the enforceable agreement of a COPA, will be the best alternative to the widespread consolidation wave happening to hospitals and insurance companies.”

Next, the two organizations will finalize a definitive agreement, which is another formal step in the process to solidify the proposed partnership. The date for expected completion of the merger has not been set but will not occur before state approval has been granted.

A COPA in Tennessee and the cooperative agreement approval process in Virginia will allow Wellmont and Mountain States to merge, with the states actively supervising the proposed new health system to ensure it complies with the provisions of the COPA intended to contain costs and sustain high quality, affordable care.

“COPA regulation with active supervision by the states is a proven and effective tool to protect consumers, as opposed to traditional hospital mergers occurring all across the country that do not include state involvement and ongoing oversight,” said Bart Hove, president and CEO of Wellmont. “With this proposed merger, our patients and our region will have access to more choices and health care options than they do today – and more than with any other solution.”

“In fact, other paths we explored could have led to loss of local control and jobs to new owners outside the region, as well as increased costs. We believe the proposed merger is the best approach for our community, and we greatly appreciate the hard work of officials in both states to provide a path for our vision to become a reality.”
Tennessee’s Department of Health recently released interim regulations governing COPAs in Tennessee, and Virginia’s Department of Health is finalizing rules to oversee similar cooperative agreements in that state. The rules provide a process and framework for state officials to follow in receiving and reviewing applications for a COPA/cooperative agreement and then actively supervising these agreements if approved.

In Virginia, a group of 25 physicians, community members and business leaders recently attended a meeting hosted by the Virginia Department of Health to express their opinions on the proposed regulations as well as their support for the proposed merger.

“We’ve been truly humbled by the outpouring of support we’ve received from business leaders, physicians and the community over the past few months,” Hove said. “It’s great to see that so many people in our region share our excitement about what we’re creating.”

“As we’ve said from the beginning, we are committed to being transparent about the efforts underway to pursue approval for our proposed merger,” Levine said. “While filing the letters of intent with Tennessee and Virginia are important next steps, they are simply two of many that will occur in the next few months. There is still a lot of work ahead. But, we grow more confident every day in our ability to work together to create a bright future for health care in our region.”

Copies of the Tennessee and Virginia letters of intent, in addition to other news and updates about the proposed merger, are available at BecomingBetterTogether.org.
Health systems set out for difficult COPA process

NATHAN BAKER • UPDATED SEP 17, 2015 AT 12:07 PM

As Mountain States Health Alliance and Wellmont Health System forge ahead on the road toward a regional merger, the leaders of the two hospital organizations reiterated it’s not the path of least resistance.

“It would be, no question, easier for Wellmont and Mountain States to do what most others have done, consummate a transaction with a multi-state, out-of-state system,” Mountain States’ CEO Alan Levine said Wednesday at a public forum hosted by the Johnson City Press. “Regulatorily, administratively, it would be easier to do what most other hospitals have done. The path we’ve chosen is much harder, but the end result is much more favorable. ... If we are able to demonstrate an effective way of moving resources and taking savings from synergies, you’re going to see other systems learn from us.”

But Levine, his counterpart at Wellmont, CEO Bart Hove, and East Tennessee State University President Brian Noland, said the organization resulting from a partnership between the combined systems and the college would pay off by increasing the overall health of the region and creating educational and economic opportunities locally.

Still left before the systems can be wed, however, are regulatory processes in both Tennessee and Virginia designed to ensure the region’s residents are protected from the potential ill effects of such a joining.

In Tennessee, the systems will pursue a certificate of public advantage, or COPA, from the state Department of Health, which will likely limit the merged system’s geographical growth and seek to control increases in costs for services, among other functions. In Virginia, the process would be much the same, but, as the legal mechanism was only enacted recently, goes by another name.

On Wednesday, a joint task force populated by the two systems’ leadership began the process of seeking regulatory approval by submitting letters of intent to both states giving notice of a forthcoming master plan of integration that will outline the asset and staffing makeup of the new entity. That plan should be filed after Nov. 1.

Hove said that, even though the COPA process allows the systems to bypass some federal anti-trust processes, the Federal Trade Commission is aware of the systems’ activities, is monitoring the process and is working with the states’ agencies to ensure they follow the letter of the law through the procedure.

Before the COPA is submitted, Hove said a 45-day waiting period is required after the letter of intent is filed, followed by a 125-day review by authorities in Tennessee and 150 days in Virginia after the COPA application is filed.
“We hope we can sync those processes together, then await the states’ determinations,” Hove said. “We’ll have at least 45 days and then 150 days, but normally it takes longer for things like this to be approved. There’s a lot of hard work to go through between now and then.”

Though some duplications across the joined system will need to be addressed, a process that can legally only be undertaken after the regulatory approval of the merger, Levine said a board comprised of local residents making those decisions is preferable to one outside the area focused solely on maintaining revenues.

“The status quo is not sustainable,” he said. “You can’t compare the merger with the status quo, because the status quo cannot occur. You have to envision what it would look like if we merge together, verses if we’re acquired by larger, out-of-state systems.”

“I was in the business of acquiring systems. If both systems merged out-of-state, you’re looking at the potential that 1,000 jobs would be gone. That’s the comparison.”

If the local merger is approved, however, and the combined health system partners with ETSU to take advantage of educational and research opportunities, the potential for growing sub-specialties and recruiting new doctors is greater.

“These two systems are our partners,” Noland said, indicating the representatives of the hospital systems. “For decades, we’ve balanced one against the other, but that’s not sustainable anymore. Revenues for both are declining, and residency spots at their hospitals are scheduled to be reduced. Those residency positions are the lifeblood of any college of medicine, reducing them by 40, as Mountain States is scheduled to do without this merger, means 40 fewer physicians moving into our community.”

After decades of fierce competition between the two systems, Wellmont publicly announced its intention to find a merger partner early last year.

Narrowing the field of candidates from nine to three in the intervening months, the Wellmont board of directors began to face a concentrated push in August from Tri-Cities business leaders and officials to choose Mountain States as the strategic partner. The Save Your Hospitals campaign generated enough support to fill a Kingsport forum and eventually won over the Chamber of Commerce boards of all three Tri-Cities, as well as half a dozen local elected governing bodies, which voted support a local merger.

In April, the CEOs and board chairs of both organizations signed a terms sheet solidifying their intention to merge.

A number of joint boards were created to oversee the merger and plan the new system’s future, should it be approved, a process they estimate will likely take until the end of the year.

Email Nathan Baker at nbaker@johnsoncitypress.com. Follow him on Twitter at @jcpressbaker or on Facebook at facebook.com/jcpressbaker.
Health merger promises a bright future for local nurses

• SEP 20, 2015 AT 12:00 AM

Everyone deserves optimal health and nursing is one discipline that can play a role in achieving that goal for people. There are approximately 7,253 licensed registered nurses in northeast Tennessee, which is 1.4 nurses for every 100 residents. There are five nursing programs in this area that provide associate degrees through doctoral degrees. At East Tennessee State University, we offer programs that provide nurses at the registered nurse and advanced practice registered nurse levels.

Our graduates are able to take positions in a wide variety of settings: hospitals, public health departments, long-term care, Veterans Administration, clinics, corporations, academics and many others. We are well-positioned to meet the demand for nursing care in this region for many years to come and will continue to recruit excellent, qualified students. Through ETSU’s partnership with the proposed health system, we will be able to work together to effectively train the next generation of health professionals.

Health care is rapidly changing based on new knowledge about disease conditions and advances in technology to assist providers with delivering care. This creates a need for nursing education programs and health care agencies to work closely together to maximize knowledge and skills that will result in the public’s better health. One step to doing this is to increase the level of nursing education required.

In 2010, the Institute of Medicine’s report “The Future of Nursing: Leading Change, Advancing Health,” recommended that, by 2020, 80 percent of the nursing workforce be prepared at the baccalaureate level or higher. Presently, 60 percent of licensed nurses in northeast Tennessee are prepared at the baccalaureate level or higher.

Leaders from Wellmont Health System and Mountain States Health Alliance have said that part of the new system’s vision is to work with academic institutions like ETSU to strengthen the pipeline of nurses and other health professionals, and to attract research jobs and investments in our region.

The region would benefit from more research conducted by nurses about nursing care, cost of care, delivery of care, models of care and outcomes of care. Additionally, collaborative research is needed by interprofessional research teams, which include nurses. Presenting the local findings at regional and national conferences and publishing this information would inform the public of the valuable work being done by nurses in this region. Instituting a regional research consortium would also be a way to showcase nursing and interprofessional research findings.

The consortium would allow for an assembly of clinical and academic researchers, attraction of highly skilled researchers to Northeast Tennessee, and development of research skills, such as randomized controlled clinical trials and data mining of large data sets, that are needed to conduct sophisticated healthcare research.

Joint appointments should be instituted with research-focused doctoral nursing faculty with our healthcare systems to assist with nursing research. Such arrangements are a win-win for the hospital and the nursing program as new ideas are tested, better care is delivered and knowledge is shared with nursing students.
Working together for a seamless continuum of care from the patient to the provider to the healthcare system and back is essential. The ETSU College of Nursing operates 12 nurse-managed clinics that care for the uninsured, underinsured, homeless, migrant and school populations. Working more closely with the healthcare system will enhance the care delivered and overall health of the population. One example is to have a common electronic health record platform shared by all providers and healthcare systems.

New models of care should be developed and implemented. One model is the Accountable Care Unit(s) in which a physician and nurse lead an interprofessional team in the care of the patients in those units (i.e., all surgical floors in a hospital).

As clinical placements for nursing students become more scarce, there also is a need for health care systems and nursing programs to work together to provide additional staffing for care. For example, nursing students could work with hospital nursing staff to make home visits to recently discharged patients to check on their recovery and prevent readmissions.

We are already leading the state in bringing our nursing education and nursing practice leaders together. The Appalachian Consortium Nursing Education and Practice has been in existence for a number of years and our leaders get together several times a year to discuss common issues. A recent statewide conference of Tennessee nursing deans and directors and chief nursing officers concluded that regional meetings were essential and a statewide meeting was needed to address nursing issues in Tennessee.

Patient-centered team-based health care is the preferred delivery model. Nurses are essential members of the team and will continue to play an important role in the care of our population. At ETSU, we teach our nursing students to critically think, to lead and to provide the best compassionate care. I believe that current and future nurses in our region will continue to step up and acclimate to changes in health care to reach the goal of optimal health for all. Wellmont and Mountain States, in partnership with ETSU and other community organizations, can do more together.

A combined system and collaborative effort across our region would advance high-level services, allowing more people to receive the care they need close to home, while best meeting health care needs today and in the future.

Dr. Wendy M. Nehring is a professor and dean of the East Tennessee State University College of Nursing.
MSHA, Wellmont hold health roundtable discussion in Smyth County

Posted: Tuesday, September 22, 2015 5:45 pm

Linda Burchette | Staff | 0 comments

As Mountain States Health Alliance and Wellmont Health System continue along a path of regional collaboration and eventual merger, residents of the impacted communities are coming together to talk about healthcare issues.

Workshops are being held throughout the service areas of Mountain States and Wellmont, including one that took place in Marion on Tuesday at Holston Hills Community Golf Course.

The initiative is sponsored by the two healthcare systems in partnership with East Tennessee State University to seek the public’s input on key areas for health improvement in the region. The focus has been on mental health and addiction, healthy children and families, population health and healthy communities, and research and academics.

The roundtable-style discussions at the Marion workshop were preceded by a PowerPoint presentation from Randy Wykoff, MD, founding dean of the College of Public Health at ETSU. Wykoff addressed such issues as the causes of the region’s major healthcare issues, including tobacco use, diet choices and activity levels, alcohol consumption, genetics and microbial agents.

Behavioral issues are causing early deaths in the area, including an epidemic of obesity since the mid-1980s, the presentation noted. Education and income are tied to health so the more education and greater income residents have, the longer and better quality of life they can expect. College education can also add to income and years of life.

In summary, increasing access to healthcare (physical and mental), improving education and income, and making better lifestyle choices can extend life and quality of health.

These were topics discussed among the participants in the roundtable part of the workshop. Each person had an opportunity to offer input on the issues as the group searched for possible solutions to problems.

Billy Brooks, clinical instructor in the ETSU College of Public Health and project manager, said the reason the group came to Marion is to learn what is needed here. The previous meetings have produced data and provided information on major healthcare issues, all of which will be summarized once the community workshops have concluded.

What this is, said Brooks, is “a good start.”

Findings from the Marion workshop include the need for:

- Better directory of services to make people aware of what is available;
- Reduction in fear of accessing these services through education and breaking down a complicated healthcare system;
- Better comprehension of available care with follow-up communication, simplifying instructions and talking more plainly;
- Better access to healthcare for adults with no insurance and psychiatric services for adults and youth;
- Better pain management with self-help groups and behavior modification;
- More outdoor resources for all ages;
- Addiction treatment with real long-term programs and better communication between patient and mental health care provider;
- Awareness of the breakdown of families, including single parents and grandparents raising children with lack of support and resources; and
- Collaboration among groups and service organizations for better allocation of services.

Dr. Eric Sacknoff asked if the participants had heard of Accountable Care Organizations, which according to the Centers for Medicare and Medicaid Services are “groups of doctors, hospitals, and other health care providers, who come together voluntarily to give coordinated high-quality care to their Medicare patients” with a “goal of coordinated care is to ensure that patients, especially the chronically ill, get the right care at the right time, while avoiding unnecessary duplication of services and preventing medical errors.”(www.cms.gov)

An ACO needs ambassadors to educate people about what’s going on, said Sacknoff, to go out into the community to educate people so hospitals can treat them. It’s complex, he said, and takes manpower. “We have to activate the community better than we have been,” he said.

The community workshops are set to continue throughout the year as Mountain States and Wellmont continue merger procedures. News and updates about the proposed merger and community workshops are available at BecomingBetterTogether.org.
ERWIN — Representatives of Mountain States Health Alliance and Wellmont Health System hosted a community health round table meeting Thursday night in Erwin to gather the community’s input on how to address the region’s most serious health challenges.

In preparation for their creation of a 10-year plan to meet region’s health care needs, MSHA and Wellmont asked the round table participants to tell them “What can you do to improve health in the community?”

Their input will be combined with comments gathered in a series of 10 community health round table sessions being conducted across areas of Northeast Tennessee and Southwest Virginia served by the health systems and forwarded to work groups appointed to study four areas where improvements are of primary concern.

The Mental Health and Addiction, Healthy Children and Families, Research and Academics and Population Health and Healthy Communities work groups are made up of community health care providers, educators and nonprofit service agency leaders from across the region who have been assigned to assist health systems in developing a long-range plan for improving the health of the region.

Dr. Randy Wykoff, dean of East Tennessee State University’s College of Public Health, put the round table meeting on track with a discussion of the factors negatively affecting the region’s health for which preventative action can be taken, including tobacco use, obesity, and a widening gaps in income and education.

While Thursday night’s roundtable session drew about a dozen community members, MSHA Communications Director Teresa Hicks said some of the sessions have been very well attended and all have provided very insightful input.

“The main thing we have seen is how many people in this community care about the health of their neighbors,” Hicks said.

The effort is being coordinated by East Tennessee State University’s College of Public Health working in partnership with the health systems.

Upcoming roundtable sessions will be held in Kingsport on Oct. 1 and Johnson City on Oct. 22.

A complete schedule of round table meetings and more information of the 10-year-plan work groups can be found at the health systems web site, BecomingBetterTogether.org.

Email Sue Guinn Legg at slegg@johnsoncitypress.com. Follow her on Twitter @sueleggjcpress. Like her on Facebook at facebook.com/sueleggjcpress.
Merger questions answered as systems file letter of intent

By AND PHOTOS BY SARAH DOLSON

Health care consumers and professionals have heard plenty of questions about the proposed merger between the region’s two hospital systems since its announcement in early April. During a forum featuring the CEOs of both systems Sept. 16 at East Tennessee State University, they got answers to a least a few of those questions.

The moderated forum also included ETSU President Dr. Brian Noland — ETSU is envisioned to play a significant role in a merged system — and included questions about what will essentially be a monopoly, along with queries about the likely impact on current system employees.

It came the same day the systems announced they had completed the first official step in the process to obtain state regulatory approval in Tennessee and Virginia. They're seeking a “Certificate of Public Advantage” (COPA) in both states that would leave their activities regulated by those states’ departments of health, and submitted letters of intent Sept. 16.

That regulatory oversight came up in an answer to a question via email sent from Susan in Knoxville who asked, “All around the country, local communities have seen hospital mergers go through and without any real competition, costs have gone up. How is this proposal any different?”

Mountain States’ CEO Alan Levine said the answer lies in how those mergers are regulated.

“These are unregulated acquisitions and yes, prices have gone up, quality is not improved, local government disappear and jobs are lost,” he said. “We think that’s the wrong model. We’ve chosen a model that is different.”

What makes the systems’ model different, according to Levine, is the regulation which keeps leadership local and gets rid of any services that are currently being duplilicated while the two remain separate.

Getting rid of those services to create space for other services, locally-based services such as research on regional health issues, made some people here a bit nervous considering those decisions could affect staffing and the use of facilities.

When a question was raised, then, about cutting staff, Wellmont’s CEO Bart Have said, “We recognize that’s the key question.” According to the board, however, those conversations cannot take place until a formal merger has occurred due to restrictions placed on the two by the Federal Trade Commission.

Another economically-minded question came via email about whether or not an economic impact study had been done on this particular merger. Though this has not yet taken place, Have made it very clear that “to continue on the way things are now would be deleterious.

“I think it’s important; in terms of consent, the status quo is not sustainable,” he said. “We’ve seen an environment where systems outside are being served by large, multi-state systems. That’s a fact. And that’s not going to change.”

Have added that if this merger, which is the first of its kind in Tennessee, were not to happen, the alternative would most likely mean one or both of the systems selling out to larger, multi-state systems.

In fact, prior to announcing it planned to seek a merger with Mountain States, Wellmont officials had been saying the system needed to be part of at least a $3 billion system as they sought a “strategic partnership.”

Wellmont was considering other potential partners as it went through that process to 2014.

Both CEOs agreed that an arrangement with an outside entity would have been the easier decision, and one requiring less regulation, but one that would have cost local control and investment. Noland said that lack of local investment would mean patients who currently see him would lose the region to seek specialized medical attention would continue to do that. And that absence of local specialists would keep Johnson City from becoming a place where both students and professionals locate for economic and educational benefits.

“Think of the number of your family who have had to travel to Vanderbilt or Wake Forest for care that’s not available here because we do not have the subspecialists,” Noland said. “By investing locally, by bringing the skills together, you’ll see us be able to train subspecialists who can then move into one system. Patients will not have to spend the time traveling to other providers.”

As of last year, ETSU’s medical school has had to curtail the number of slots in its residency program in order to cut costs for the hospital. Levine said the merger could help prevent a recurrence of that.

“To give our system to be successful, we have to be able to attract the best people and retain them,” he said. “Our objective is to grow. Right now, we’re in a defensive posture. We’ve frozen our residency spots for last year. Now we’re competing with places like Charlotte, Atlanta, San Francisco and Boston.”

Following this discussion of ETSU’s residency program, a local nurse said, “What ETSU has to gain from seeing the two hospitals merging is our nurses.”

“For the past decade and a half, we’ve had to balance the agenda of one hospital system against the agenda of the other hospital system,” Noland answered. “We’ve also had to balance the recognition that revenues for both are declining and our residency spots are scheduled to be reduced if this merger does not occur. Our residency spots are the lifeblood of the college of medicine. This merger provides permanence.

No timeline was discussed on when the COPA will be decided upon or when the merger will close. The letter of intent does not set things in motion, but a formal application cannot be filed until at least 45 days has passed from the letter of intent submission. For now, the panel members said they intend to provide ample opportunities for public input and discussion.

“We don’t ask you to trust us,” Rove said. “We ask you to engage with us. We have to earn your trust going forward; we have to do that every day, but you have two boards that are deeply committed to us doing the right thing.”

More information is available at BecomingBetterTogether.org.

Le Vian Trunk Show Thursday, Sept. 24th

DEMPSEY’S

522-282-5510

LEVIAN.
Trunk Show

Thursday, Sept. 24th

10:00am - 7:00pm

FIVE GUYS

NEWS & NEIGHBOR

THE NEWS & NEIGHBOR

Athlete of the Week

THE NEWS & NEIGHBOR

Athlete of the Week

The Five Guy Burgers and Beer and the News & Neighbor recognize the Johnson City High School athlete of the week in Hannah Nettles.
NC dissolves anti-monopoly rules on Mission Health

The state General Assembly voted to repeal a law that set limitations on Mission Health’s operations during a span of less than 24 hours Monday night and Tuesday. The Certificate of Public Advantage law, or COPA, has kept a cap on Mission's profit margin and the number of doctors it can employ since 1995. The bill provides that the restrictions end as of January 2018.

"Although it was an important tool at the time, it has outlived its usefulness and we feel strongly that this is the right decision for the residents of Western North Carolina," Mission President and CEO Dr. Ron Paulus said in a statement.

He said Mission has improved the quality of its care since its merger with St. Joseph's Hospital, which prompted the law. The law was designed as a way to shield Mission from federal anti-trust regulators concerned that Mission might gain too much power over the local health care market.

The House unanimously approved an amendment that included COPA repeal offered by Rep. Nelson Dollar, R-Wake, on Monday night. It was attached to a bill to create an exemption, unrelated to Mission, to a state law called Certificate of Need that requires state approval of certain health care facilities. The bill then passed the House 102-8, and the Senate agreed Tuesday. Legislators wrapped up their session in Raleigh early Wednesday morning.

Legislative rules require that bill titles reflect their contents, but the title for this bill makes no mention of COPA.

The measure is at least the third bill in this session that COPA repeal was attached to after Sen. Tom Apodaca, R-Henderson, introduced a bill in March to repeal COPA and the entire state Certificate of Need law. That bill never made it out of committee.

The COPA language showed up in the Senate version of the state budget bill but not in the final House-Senate compromise budget, then was attached to a bill dealing with childhood diabetes education that passed the Senate Sept. 17 but has not moved in the House.

Rep. Susan Fisher, D-Buncombe, said the COPA provisions were discussed on the House floor late Monday. Western North Carolina legislators generally support the move, she said.

Similar agreements for other hospitals around the country usually have a much shorter duration, she and Paulus said.

"It just became very, very clear that it was time to be released from that," Fisher said. Neither Apodaca or bill sponsor Sen. Ralph Hise, R-Mitchell, could be reached for comment.

Paulus has said that removing COPA will take some administrative burdens off Mission but will not make a major difference in its operations initially. He thanked Apodaca, Hise, Dollar and other mountain legislators for their support and said Mission has performed better than other hospitals on measures of patient care and cost following the St. Joseph’s merger.
WNC residents “will not notice any difference in their experience at Mission after this change,” he said Tuesday. "Over time, however, the additional flexibility and reduced costs associated with the termination of the COPA will create important opportunities for Mission Health to adapt and respond to rapidly changing market conditions, and support the quality and availability of healthcare throughout the region.”
COVER STORY

RURAL HEALTHCARE AND THE CHALLENGE OF POPULATION HEALTH

The issues facing rural providers are significant, but leaders are creating ways to survive in the changing healthcare environment.

BY JOHN COMMINS

Population health management is being pursued by many healthcare leaders, but it's a hard strategy to manage when the population is small and spread out. That's the difficulty facing rural healthcare providers, who have long dealt with an older and sicker demographic, difficulty in finding physicians, and economic constraints, and are now pushed to the brink by healthcare reform.

Yet many rural healthcare leaders are embracing population health as their future—not because it offers economic salvation (it doesn't), but because it makes perfect sense for their mission: to provide care for the community.
> LOCAL ENGAGEMENT.
Todd C. Linden is president and CEO of Grinnell (Iowa) Regional Medical Center. He acknowledges that a small, rural organization may have disadvantages, such as lack of scale, but can effectively develop a population health model in part because of strong community engagement.
RURAL HEALTHCARE AND THE CHALLENGE OF POPULATION HEALTH

Population health—like everything else in healthcare—is resource-intensive. Many of the requisites for population health are more easily found in urban areas, where there is more of everything: more primary care physicians and subspecialists, more money to spend on very expensive healthcare information technology, and greater economies of scale for purchasing and leveraging with vendors and payers.

Of course, an essential component in population health is ready access to a population. As obvious as that sounds, in large swaths of the United States that’s not such an easy proposition.

Still, leading healthcare providers in nonurban and rural areas say they can make population health work for the people they serve—and for their organizations—despite the obstacles. Among the approaches: cooperation rather than competition among equals, clinical integration that for example, found that 147 of Texas’ 254 counties, serving a total population of 1.8 million, have no obstetrician; 158 counties, with a combined population of 1.9 million, have no general surgeon; and 35 counties have no physicians.

Added to that is the very nature of healthcare reform, which appears to be more advantageous in urban settings with larger populations that help to control risk, and easier access to providers and specialists. Simply put, rural providers often don’t have the money or the personnel.

“If you’re looking for a linkage that sees a patient through an acute event, or stops an acute event through chronic disease management and prevention of acute events, you’ll need good pharmacy; good home healthcare providers; a chronic disease prevention program, which is largely outpatient-based; and all of the education that is needed,” Bolin says. “For a rural hospital system to have all of those services is nearly impossible.”

Rural and nonurban providers struggle to treat this patient population with dwindling Medicare reimbursements that they can do little to control. Since 2010, 35 rural hospitals have closed, and 283 more are on the brink of closure, according to a July statement from the National Rural Health Association.

Dire financial straits have prompted many rural and nonurban hospitals to surrender some of their cherished independence in exchange for affiliations that provide economies of scale and access to capital and services.

“They have to link up and collaborate with external organizations in the community to provide all of those services for referral purposes,” Bolin says. “That is key to getting that enhanced Medicare reimbursement. Then you spread that reimbursement out around to everyone who participates. That has been the challenge for a lot of rural providers. In an urban area you’ve got everybody within four or five blocks.”

Well care for a sicker population

Scrolling through U.S. Census data on Appalachia presents a demographic of peaks and valleys. The mountainous region is among the nation’s highest for rates of unemployment, poverty, disability, tobacco use, and chronic health issues such as diabetes. It ranks near the bottom for income, educational attainment, and percentage of people with health insurance.

That difficult socioeconomic terrain and the healthcare problems associated with poverty and inaccessibility of primary and chronic care were apparent to Tennessee’s Kingsport-based Wellmont Health System and Johnson City–based Mountain States Health Alliance.

This year, the rural systems confirmed that Appalachia was not immune from the pressures to consolidate under healthcare reform when they announced plans to merge. The health systems expect the regulatory process to continue

“We’ve got to find a more rational way to take all of these resources we have invested, and all this capital and capacity, and find a way to better deploy it.”

emphasizes providers’ strengths rather than weaknesses, local engagement with a community rather than local ownership of all the components of care, and a focus on primary care rather than specialty care.

The challenges facing rural America

About 60 million people—one-fifth of the U.S. population—live in rural America, a designation that covers 95% of the nation’s landmass. For the most part, U.S. Census data show that the 2,000 or so rural and nonurban hospitals that serve this population treat a patient base that is generally older, sicker, and less affluent than their urban counterparts.

Jane Bolin, BSN, JD, PhD, senior editor of Rural Health People 2020 and director of the Southwest Rural Health Research Center at Texas A&M University, says specific challenges facing rural and nonurban providers, such as diabetes or heart health, can vary from region to region. She views these regional challenges more as symptoms of a larger health crisis that all rural providers face: access to quality care.

Rural hospitals have much more difficulty recruiting and retaining providers than do urban hospitals. Wide stretches of rural America are bereft of healthcare services. A survey released in May by physician recruiters Merritt Hawkins,
BARRIERS TO COST REDUCTION. RURAL VS. NONRURAL

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Multi-response

NOTE: The chart includes previously unpublished custom data segmentation from the survey results.
SOURCE: HealthLeaders Media Intelligence Report, Strategic Cost Control: True Cost, Process Redesign, and IT Integration, June 2015

through the end of this year. The unified system will include 19 hospitals, more than 15,000 employees, and scores of outpatient facilities across the region.

Batt Hove, president and CEO of Wellmont, says the two systems have demonstrated success on their own “despite the difficult challenges we have being a low-reimbursement area and an area highly prone to health problems and demographic problems.

“All of those challenges really drove a lot of the thought process by coupling and partnering our resources together and avoiding the excessive cost implications of the local competitiveness to channel those resources back into trying to improve the health of our region,” says Hove, who will be CEO of the as-yet-unnamed unified system. “We have a vision that utilizing extensively the community resources, working with our various community agencies, and working collectively amongst ourselves, we can more rapidly move from paying for volume to paying for value and really have a definitive impact on the health of the population of the region. That is the underlying principle for seeking to pursue this merger of equals.”

In fiscal year 2013, Wellmont reported net patient service revenue of $754 million and net assets of $515 million, and MSHA reported net patient service revenue of $933 million and net assets of $448 million. The nonprofit health systems together provide access to care in 29 counties in the heart of Appalachia, where the mountains weave through Tennessee, Kentucky, Virginia, and North Carolina.

The shift toward population health, with its emphasis away from volume and toward outcomes, preventive care, and value-based reimbursements, was a big motivator for both health systems to pursue the merger, with its economies of scale and other efficiencies that come with the combination of two health systems. A big selling point was eliminating redundant services that are done to address competition.

“We’ve gone for 60 years with a healthcare system with payers saying, ‘Do more, build more and we will pay you for it.’ All of a sudden everybody is saying, ‘We want you to do less,”’ says Alan Levine, president and CEO of MSHA, who will serve as executive chairman and president of the new entity. “We’ve got to find a more rational way to take all of these resources we have invested and all this capital and capacity, and find a way to better deploy it.”

With volumes and reimbursements shrinking, Levine says the health systems’ ability to subsidize rural hospitals in their networks is jeopardized when the systems cannot shed redundant capacity and the costs associated with it.

“Collaborating more closely under a merged environment allows us, going forward, to be more rational in our decision-making so we are not creating redundant spending of capital and redundant costs and instead we can redeploy these assets,” he says.

As elsewhere in rural America, the population served by the two health systems displays distressing health indicators, despite using hospital services at a high rate.

“We run about 124 admissions per 1,000 [population in the 29-county area]. The national average range is somewhere between 70 and 110,” Levine says. “So we’ve got to find a way to bring down the unnecessary utilization that may exist. By doing that, it means you have all this fixed capacity in the region, and so by coming together, as opposed to being apart, it allows us to more rationally address the issue of all this capacity.”

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Reducing admissions requires an emphasis on wellness and prevention, and that requires access to primary care. The unified system will have a research and recruitment affiliation with the Quillen College of Medicine at East Tennessee State University in Johnson City, which has a national reputation for placing primary care physicians in underserved rural areas.

"Part of our strategy is to develop a 10-year plan related to the health of our community," Levine says. "ETSU, in partnership with us, is going to do a deep-dive public health needs assessment of the region, defined as southwest Virginia and northeast Tennessee."

There will also be a push for research grants from the National Institutes for Health and other funding sources.

"We think this investment in research not only will help drive the economic growth in the region," Levine says, "we also think it will help us solve some of these unique problems, where we have one of the highest rates of diabetes. Tennessee is the fourth highest in the nation in Type 2 diabetes, and our region is among the top five counties in the state. That is pretty compelling when you think about the need to understand data and how we target efforts."

If the plan works, the unified system will have one of the nation's most aggressive wellness programs.

"We are talking about creating a population health model that has not been done yet," Levine says. "When you talk to most systems about population health, they're talking about how to manage diabetes better. This is about going upstream and understanding what causes the rate of diabetes. Let's use the research data we get to address that. These are the things we don't get paid for. These are things we have to invest in. In order to invest in them, we have to generate the synergies between our two systems. It's all linked."

**Operating Margin, Rural vs. Nonrural**

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Multi-response

NOTE: This chart includes previously unpublished custom data segmentation from the survey results.

SOURCE: HealthLeaders Media Intelligence Report, Strategic Cost Control, True Cost, Process Redesign, and IT Integration, June 2016; hlm.box/20G3RM

Maintaining independence amid integration

The phrase rural Nebraska borders on redundant.

The Cornhusker State's land area of 76,834 square miles makes it the 15th largest state by area, but its population density is about 24 people per square mile, well below the national average of 87. To put that in perspective, New Jersey, a state about one-tenth the landmass of Nebraska, has 1,196 people per square mile. Obviously, these two states have different population health delivery challenges.

The relative isolation of Wheat Belt communities over the generations has fostered a fierce sense of independence and self-reliance, two traits that run crossways with healthcare reform's insistent nudges toward integration, collaboration, consolidation, and scale.

With that in mind, 66 healthcare organizations in western Iowa, northwestern Missouri, and Nebraska joined together in a strategic alliance called the Regional Provider Network, LLC. Formed in 2013, RPN relies on nine founding-member health systems across the region that provide hub-and-spoke specialty and tertiary care for the rest of the alliance, which includes smaller critical access and community hospitals.

"Our two main strategic goals are to guide clinical integration in each of our members and their surrounding regions, and also take advantage of our scale to help reduce some of our delivery costs," says RPN President and CEO Michael Hein, MD, an internist.

But the rationale for RPN is to maintain the independence of the members. "In our region, there is a strong sense of community, and of the local influence of these healthcare systems in their communities, and a sense for maintaining that independence," he says. "Autonomy and independence are among our founding principles."

RPN is "driven by the recognition that health and health outcomes are a local construct, that our health—as human beings—is determined by the communities where we live. And the people who are best positioned to create value for our patients—improve the quality of care and lower the cost—are those closest to those in the communities," Hein says. "It is anchored in this deep belief that, ultimately, healthcare is local, and an organization that is anchored on that principle should be able to create value in a superior way."

While some outlying critical access hospitals don't have to contend with many
competitors, several of RPN's nine founding health systems remain competitive, Hein says, which adds a certain friction to the mix that is not necessarily a bad thing. Those members include Nebraska Medical Center and Nebraska Methodist Health System, both Omaha-based, and Bryan Health in Lincoln, Nebraska.

"An alliance of competitors is the gambit of the strategic alliance," Hein says. "At the core of their DNA is that inherent tension between what is in my self-interest as an organization versus what benefits the whole. What am I willing to relinquish to the whole for the greater good versus what my needs might be locally? That is an inherent tension to this type of organizational structure."

Even if the RPN members wanted a more formal top-down relationship involving consolidations and acquisitions, Hein says it wouldn't necessarily be an improvement.

"Our furthest east member to our furthest west member is about a 10- or 11-hour drive on the interstate at 75-80 mph," he says. "It is a large geography, and for many of these communities, the hospitals are the sole providers of inpatient services in their area.

"That geography creates these unique markets that are distinctly different from each other," Hein says. "A vertically integrated system across that tends to have a need to standardize across all members—across all processes and outcomes—and oftentimes that is a challenge when you have distinctly unique markets."

Robert L. Wergin, MD, is a member of the RPN and a sole practitioner at Memorial Health's Milford (Nebraska) Family Medical Center. He says that the network can improve care quality for patients, provide more leverage with payers and vendors for otherwise isolated providers, and also help
with recruiting physicians, which has always been a challenge in rural America.

The key to success, he says, will be to demonstrate to independent providers the benefits of clinical integration. "As we move to value-based payment, data will be king," says Wergin, who is also board chair at the American Academy of Family Physicians. "Medicare by 2019 wants a value-based billing system, so you need to show that you're meeting certain standards. If you are in a one-on-one office, developing the resources or infrastructure is challenging. Collectively you might."

That reassurance and support that RPN could provide can give rural physicians a sense that they are not alone, and could also help recruiting efforts in Nebraska, Wergin says.

"We know workforce shortages are an issue in rural areas, and one of those barriers might be the sense of isolation," he says. "Networking and demonstrating that support to a new young provider who's tech savvy might be another way to get them to understand the rewards of practicing in a rural area and being part of a community."

Hein says the first hurdle for RPN is clinical integration and addressing the "messenger model" physician hospital organization structure, which serves merely as a conduit for messaging payer contract terms and conditions to providers, who then decide if they will participate in that contract. The PHO does not negotiate terms on behalf of its members and does not serve as signatory for contracts on behalf of its members.

"In contrast," Hein says, "we are building clinically integrated networks with PHOs as the nidus for that work [clinical integration]. With those PHOs as the 'engine' for creating clinical integration at a community and micro-region, we envision being able to negotiate value-based contracts with payers region by region as they mature. Eventually, RPN in its entirety will be clinically integrated and able to negotiate terms and serve as a single signatory for regional and statewide contracts.

"For us, that is taking those nine founding members—each of them having a physician hospital organization that either is being created or has been a messenger model—that we're positioning so it can be a clinically integrated network in those communities. There is a forum we created that allows those providers to interact around community-based metrics where they demonstrate opportunities on cost and quality," Hein says.

"Ultimately, as we're moving those nine founding members' PHOs forward, we can see that our physician network would become a super-PHO and be able to negotiate contracts with payers for the entire provider network that those PHOs represent. We really see those PHOs as the foundation anchor for our RPN."

Critical access hospitals in the network that lie within the footprint of RPN's larger hospitals would join the PHOs.

"We create this hub-and-spoke footprint across our geography that is anchored around the hospitals of those nine founding members," Hein says. "We are in the process of standing those up and firming up participation agreements between the PHOs and RPN, as well as the providers that participate in those PHOs and how they would be defined as part of the RPN provider network."

On the population health front, Hein says RPN will start with the combined approximately 37,500 employees and dependents covered by the health plans of the nine founding members.

"We have secured the data capabilities to understand utilization and cost and quality patterns of those employees," Hein says. "The RPN clinical leaders are identifying opportunities within our population and working directly with their local PHOs to target the interventions that will move the ball on our employee health plan."

Ultimately, RPN wants to expand population health initiatives to private employers in the region by 2017 "if we can demonstrate to employers and payers that we are able to effectively manage a population of patients," Hein says.

Establishing the PHOs, defining the provider network, and other heavy lifting for the RPN should be completed this fall, while the health plan initiatives for employees has already begun. Despite the challenges of geography, Hein says RPN "can position itself to be successful in value-based care."
RURAL HEALTHCARE AND THE CHALLENGE OF POPULATION HEALTH

“That is our intention and our goal,” he says. “The pace of how that occurs somewhat depends upon the external environment and our competitors in the marketplace, but also the federal framework and the pace of policy change. The whole healthcare system is moving in that direction, obviously, and moving a lot faster than people perhaps thought would happen a few years ago. RPN will position our member organizations to participate in that.”

Finding advantages in being small

While the trend in healthcare is toward consolidation at scale, some providers see advantages in staying small and local.

“In some respects we have advantages because our relationships with the community, and our size has impact in terms of its ability to relate to the patient experience,” says Todd C. Linden, president and CEO of Grinnell (Iowa) Regional Medical Center.

COMMUNITY RELATIONSHIPS. Richard Polheber is CEO of Benson (Arizona) Hospital. He says that tapping into community relationships to establish less-formalized population health programs can advance a wellness agenda that involves the hospital, business leaders, the local YMCA, and the school district to make a meaningful difference.
“Those can be advantages in a small environment. Obviously, there are disadvantages with the skill sets necessary to do value-based payments and the scale required if you are going to get closer to the premium dollar and to be part of population health,” Linden says.

GRMC is a private nonprofit 49-staffed-bed hospital located 54 miles east of Des Moines. In 2013, the organization reported net patient service revenue of $40.5 million and net assets of about $21.7 million.

The move toward population health at GRMC predates value-based care by more than a decade and was influenced, Linden says, in part by the facility’s status falling between critical access and specialty care.

“We started about 15 years ago recognizing that as a ‘tweener’ rural Prospective Payment System hospital given some of the worst Medicare/Medicaid payments in the country—well below 75% of the cost in terms of reimbursement—the only way for us to be relevant to our community is to look at ways we can improve the health, even though we are not incentivized to do that,” Linden says. “We opened our first community fitness center 17 years ago and partnered with the county health department, which is part of our organization today.”

The process that led to developing a population health strategy also exposed potential problems.

“When we recognized many years ago that payment would begin to shift to population health, we believed it was important to begin to build skill sets that were not traditionally in the acute care hospital setting,” says Linden. “These include programs like specific public health services, wellness initiatives, stress reduction, and integrative medicine services like massage therapy and acupuncture. These programs all put the focus on keeping the population healthy and will serve us as the flip from fee-for-service to value continues to evolve.”

GRMC’s independence is important, Linden says, but not to the point where it hinders the mission. Compromises have been made. For the past six years, GRMC has been affiliated with Mercy Health Network of Iowa and collaborates with Mercy Medical Center-Des Moines, which provides an array of support services for GRMC. In exchange for an annual fee to Mercy, which Linden declines to disclose, GRMC remains independent but consults with Mercy and its affiliated hospitals on quality, best practices, access to specialists, population health management, and HIT.

“I don’t know that the notion of a local ownership is as important as local engagement, but we did find a middle ground and it’s been extremely beneficial,” Linden says. “Our partnership with Mercy offers a system of care, services, and support where GRMC is able to build the strongest local care delivery model while having access to national, statewide, regional, and local services and expertise.”

In other words, GRMC enjoys most of the benefits of other hospitals in the Mercy network while remaining independent.

“The big difference would be if we were completely acquired or merged with the Mercy Health Network, there would probably be opportunities to participate in capital funding,” Linden says. “The reasons we might consider a closer relationship would be likely two things: one is access to capital in the future because of our size and our financial position. If we are not able to enter into the capital market and have access to resources for major kinds of renovations or projects, that might be one reason to consider a closer relationship.

“The other is going to be what happens with the various networks for patients and employers if a tighter relationship is required to literally be part of a clinical network or some sort of insurance offering,” he says. “That is likely another reason why one would consider having a tighter relationship. For now, we do enjoy most of the benefits of affiliation. It’s proven very valuable for us for the last six years and is why we are continuously evaluating a closer relationship.”

“We create this hub-and-spoke footprint across our geography that is anchored around the hospitals of those nine founding members.”

For example, GRMC has partnered with Mercy to retain legal services in a group purchase. “In addition, we are part of a Health Care Innovations Award from [the Centers for] Medicare & Medicaid Services with the Mercy Accountable Care Organization/Mercy Health Network,” Linden says. “As a participation site for the Mercy ACO, GRMC will receive funding as it transitions to value-based care and helps create delivery models for the future of healthcare.”

The affiliation with Mercy and HealthPartners, a nonprofit HMO and third-party administrator based in Minneapolis, has helped GRMC create a clinically integrated network for the combined 300 employees and dependents covered by the hospital’s self-insured plan.

“About half of our medical staff have a direct employment or partnered relationship. The other half are in private practice. Having a clinically integrated network was vital to us to ensure that our clinicians have access to the information and data that would have been difficult under previous antitrust rules,” Linden says.
"HealthPartners allows us to have access to information that we have never had: full access to claims data, full access to their care management and other kinds of services, deployed differently than the typical insurance company relationship where they tend to be miserly with that information," Linden says.

“Our clinicians are in a much stronger position to look at a population like our self-funded plan--our employees, their spouses and dependents—and use the biometric data that we collect through our wellness plan, use the claims data, and use their algorithms to help us not only identify the folks who are at most risk and who are consuming most of the resources now, but more importantly [to find] that group who, without some behavior modification or lifestyle changes, are going to be in that chronic disease state where they are going to have health and disability issues and also consume more resources in the future."

The results so far have been notable.

“GRMC has flattened our cost curve for health insurance costs, in essence spending the same amount per participant per year in 2014 as in 2008, which is unheard of today where most businesses are seeing annual increases of about 6% to 7% from 2008 to 2014,” Linden says.

Using GRMC’s self-funded plan as a petri dish, Linden says the hospital can leverage that experience to entice “other large self-funded plans in our community that will see the things we are able to do with our clinically integrated network and with the third-party administrator that we have teamed up with.”

“They agree to share data and participate in the kinds of things that make sure we can standardize care and that people aren’t falling through the cracks,” Linden says. “Otherwise, I’d be forced to think about if I should create a network for my own employees and dependents and spous with just the physicians and advanced practice providers who are employed by us. With the CIN, I can keep it in pluralistic by allowing people to join the CIN, have access to providing services to my employees, giving employees choice, but at the same time creating a structure so we standardize the care and services that are offered.”

While creating the CIN is a slog, measuring whether it’s working is comparatively easy.

“We’ve proven we can control costs with our own health plan. The other metrics are going to be pretty straightforward things such as lost days and the numbers of employees who have chronic diseases,” he says.

The limits of rural healthcare organizations

Although population health management is appealing to rural healthcare leaders, some providers say that limitati have to be acknowledged in the shift toward value-based care.

Richard Polheber is CEO of Benson (Arizona) Hospital, which is located 48 miles southeast of Tucson. He says the models that put his 22-staffed-bed critical access hospital at risk in a population health care continuum aren’t realistic because the hospital board and the community insist on remaining independent.

“The infrastructure isn’t there. Benson is 5,000 people. Our hospital district 12,500, and it grows a little when summer visitors come,” Polheber says. “There is just not enough base to keep specialists busy in a full-time practice, so trying to get that coordinated becomes very problematic.”

In fiscal year 2013, the hospital, which relies on Medicare and Medicaid for 75% of its patient mix, reported net patient service revenue of $10.5 million and total net assets of $4.9 million. The governing board at Benson Hospital stated unequivocally that it wants to remain independent, which limits the options for a small hospital in the midst of the desert.

“Our board has made a decision that we don’t want to merge with anybody else,” Polheber says. “We think healthcare has a local focus and we are going to work to provide preeminent and quality care and do so through various alliances.”

To leverage resources while remaining independent, Benson Hospital and three other nonprofit rural hospitals in the region joined with Tucson Medical Center in June.
create the Southern Arizona Hospital Alliance, a loose affiliation that is expected to improve the hospitals’ leverage with vendors and bring more physicians to the desert. Tucson Medical Center’s executive director for network development, Susan Willis, is president of SAHA.

Polheber, who serves as chairman of SAHA, says Benson Hospital can tap into its community relationships to establish less-formalized population health programs that promote “personal ownership” through physical activity and diet. He’s working with Benson’s business community to bring in a local YMCA.

“The YMCA is working on this whole agenda of wellness and well-being with a raft of programs. In Tucson they have 90 different programs,” Polheber says. “This moves us where the hospital doesn’t own the agenda but the business leaders in working with the YMCA and the hospital and the school district can make a meaningful difference. It’s about finding niches.”

The hospital is also developing a diabetes education program and support group with the hope that greater compliance toward a healthier lifestyle “will begin to nip away a little bit on the need for having these specialists,” Polheber says.

“The problem is that the coordination of care requires a lot of resources, and I don’t have the dollars to apply to that,” he says. “That, to me, is the biggest challenge. I would love to own a population and say, ‘We are going to coordinate the resources and make this all happen,’ but I don’t have the money.”

Benson Hospital’s service area has only five primary care physicians and no OB/GYN. Polheber says he hopes the affiliation with SAHA can help bring more doctors into the service area. He says a strong primary care presence in Benson and the ability to refer complex patients to Tucson Medical Center makes the most sense, given the resources at hand.

“”That’s not necessarily a bad thing,” he says. “Quite frankly, if you have a meaningful primary care delivery system, it takes care of a lot of issues, particularly if you create something in the community where the primary care docs aren’t onesies or twosies practicing by themselves. The hospital can bring them together to understand best practices and what is going on in the industry. That could be very beneficial.”

Can it work in the country?
Will all the affiliations, clinical integration efforts, and local engagement be enough to preserve rural healthcare organizations? Will the population health efforts improve the health of rural America’s population, and of the healthcare providers who serve them?

Linden and other rural healthcare leaders concede that they won’t readily know whether what they’re doing will actually work in the long-term.

“All of this work around population health is going to play out over a number of years,” Linden says. “There is not an immediate savings simply through providers moving to the premium side of the equation. But the long-term implications are clear. I’ve been a hospital executive for 25 years, and for the first time in my career the financial incentives are lining up more directly with what our true mission is, which is improving the health of our community.”

Hein says the only way to find out is to plunge ahead.

“Some of my friends asked why I wanted to take this job,” he says. “The honest answer is that I really do believe that healthcare is local, that our solutions for delivering the very best care are determined by local leadership, local providers, and community members working together.

“It’s a compelling gambit and I think it is a model worth pursuing, particularly for our geography and where we are in the U.S. and our culture in our region,” he says. “This is a model that may be superior, so I just wanted to put my money where my mouth was and see if I could join this bunch of other really smart, good people to make it work. I find it a compelling opportunity.”

And if it doesn’t work?

“I haven’t really contemplated ‘What if it fails?’” he says. “I think it will be successful. We’ll give it our best shot, and if it doesn’t work we’ll find another way.”

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MSHA, Wellmont host roundtable discussions

Mountain States Health Alliance and Wellmont Health System hosted their fourth joint community roundtable health discussion on Thursday, Sept. 24, with Unicoi County leaders at the National Guard Armory in Erwin.

The discussions are part of a joint effort, following up the announced merger between both health organizations, to map out a 10-year plan to help the needs of those in the surrounding area, according to Teresa Hicks, Corporate Director of Communications with MSHA.

“Mountain States and Wellmont are holding these meetings throughout the region to get community input on the major health challenges of the region in preparation for crafting a 10-year plan of how the potential merged organization could help address those needs,” she told The Erwin Record on Thursday.

Erwin’s roundtable was the fourth out of 10 that the groups have held across the region, from Northeast Tennessee to Southwest Virginia, to receive feedback from the community. The growth is about being better together, according to Chief Executive Officer (CEO) and Vice President of the MSHA – Southeast Market Dwayne Taylor.

“There’s really nothing at the federal or state level in the past seven or eight years that has been favorable to health care,” Taylor said during a presentation to community members. “It is more and more challenging with more and more dollars being taken away from hospitals and doctors. So we have to be stronger and be larger to be able to make sure we’re sustainable for the future.”

Following an introductory presentation, Dr. Randy Wykoff, dean of East Tennessee State University College of Public Health, covered various factors that cause poor health within the region. Some items Wykoff discussed that have a correlation to health issues locally are tobacco use, education, the creation of jobs and the environment.

At the end Wykoff’s talk with participants, community leaders met with representatives from the roundtable discussions to talk of different issues they see as top priority in the county. Healthy Children and Families, Research and Academics, Population Health and Healthy Communities and The Mental Health and Addiction are groups that are assisting with each roundtable discussion. Individuals who were unable to make it to Thursday’s meeting will have an opportunity to view the report from the armory. Visit becomingbettertogether.org website to recap the event or to RSVP for an upcoming discussion.
Good health is about more than medicine

Editor's note: Guest editorials may not necessarily reflect the opinion of the newspaper. The following is from Dr. Randy Wykoff, East Tennessee State University Dean of Public Health.

Since the announcement of the proposed merger between Mountain States Health Alliance and Wellmont Health System, there has been considerable discussion about the impact the merged systems could have on the overall health of the region. Some may be surprised to hear the health systems talking about promoting health and preventing disease not just by new programs and activities that would happen within the new system itself, but also by actions and activities that would take place outside their four walls.

Why, some might ask, are the health systems talking about actions that need to happen in the community and not just in their hospitals and clinics? This discussion reflects the growing understanding of what are known as the social determinants of health, or more simply, public health.

Access to high-quality and affordable health care (in physicians’ offices, in clinics and in hospitals) is absolutely essential to improving health in our region. Many of us wouldn’t be alive today if not for services provided by doctors, hospitals and clinics. Health care is essential, but it is not sufficient, to improving health in a region.

We are increasingly coming to understand that true, long-standing improvements in health come not just from good health care, but also from improving the overall conditions in which people live. For example, we have learned that Americans in the lowest income group are, on average, three times more likely to die before the age of 65 than Americans in the highest income group.

Additionally, high school dropouts will, on average, live five to seven years less than college graduates. Babies born to mothers with less than a high school education are, on average, twice as likely to die in their first year of life as babies born to mothers with a college degree.

Many of these health challenges persist from one generation to the next. Children of parents with lower rates of educational achievement will, on average, complete less education than children of parents with higher educational levels. Children born to parents living in poverty are many times more likely to end up living in poverty than children born to wealthy parents.

Central Appalachia, including our region, has higher rates of poverty and lower rates of educational achievement than many other parts of the country. Not surprisingly, the region also faces greater health challenges than other areas.

Ultimately, the social determinants of health tell us that if we want to improve health in our region, we need more than just great health care. We also need to work with our colleagues who deal with economic development and our colleagues who work on assuring that our children get a good and meaningful education.

By equal measure, our colleagues in these fields should realize that they need to work with the health system. Our challenges are inseparable. For example, every employer will tell you they need a healthy, educated, drug-free work force. Every educator will tell you they need students healthy enough to learn and teachers healthy enough to teach — but they also need a robust economy to support the school system. Every health care provider will tell you they want patients who know how to improve their health, and also have the education and resources to invest in their health.

Improving health in our region requires all of us to work together — educators, the business community, faith leaders, the health care sector, and many more. I applaud MSHA and Wellmont for recognizing that the proposed merged system can play a vital leadership role in bringing these groups together — assuring the health of our region — not just within their four walls but also in the community.
Health care costs
The consolidation of Mountain States Health Alliance and Wellmont Health System is on the minds of many of us in Johnson City. Before we rush into it, we need to consider some important information I discovered in my research on the subject.

A few years ago the Robert Wood Johnson Foundation reported that: “The magnitude of price increases when hospitals merge in concentrated markets is typically quite large, most exceeding 20 percent.” This statement came about after researchers from Carnegie Mellon University and the Wharton School at University of Pennsylvania did considerable research on the subject.

It’s all about the money it seems. Is that a surprise to anyone?

If the corporations see a way to make more money together then the merger will occur. Often one or both of the CEOs will get a bonus of a few million dollars to close the deal. Not only do the CEOs get a bonus and then raise prices for services, but often employees are laid off or terminated, and those who are kept on have a very low morale, and productivity after a merger can be reduced at an alarming rate — perhaps 25 percent or more.

Overall it is not a pretty picture. We do need to give this a lot of thought.

And just in case anyone is interested, the 2010 national average salary and bonus for a hospital CEO is $517,000 and $909,000 for a health system CEO, according to consulting firm Integrated Healthcare Strategies, reports Georgia Health News. Not a bad salary, especially if you get a million or more bonus to go with it.

I don’t mean to be negative here, but I just want us to understand that it is not the good of the people that motivate mergers. It is dollars.

THE REV. STEVE HOLDER
Johnson City
Public meeting to address aspects of merger between Wellmont, Mountain States
By HANK HAYES
hhayes@timesnews.net

KINGSPORT — Wellmont Health System and Mountain States Health Alliance will hold a public meeting Thursday to get more input regarding affected areas in their planned merger.

The two entities are looking to get feedback on mental health and addiction, healthy children and families, population health and healthy communities, and research and academics. The meeting will take place from 5:30-7:30 p.m. in The Press Room, which faces Roller Street at the downtown Food City. A light supper is expected to be provided.

In mid-September, Wellmont and Mountain States filed a letter of intent with the Tennessee Department of Health indicating the organizations will submit an application for a Certificate of Public Advantage (COPA) this fall. The two organizations have submitted a similar letter to the Southwest Virginia Health Authority, signaling their intent to request the commonwealth’s approval of the anticipated cooperative agreement between the two systems.

These actions are part of the regulatory processes the organizations are following as they explore the creation of a new, integrated and locally governed health system.

Next, the two organizations will finalize a definitive agreement, which is another formal step in the process to solidify the proposed partnership. The date of the expected completion of the merger has not been set, but it will not occur before state approval has been granted.

A COPA in Tennessee and the cooperative agreement approval process in Virginia will allow Wellmont and Mountain States to merge, with the states actively supervising the proposed new health system.

Community meeting highlighted Wellmont-MSHA merger need but also included concerns

HANK HAYES • OCT 2, 2015 AT 9:30 AM
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KINGSPORT — A sixth community meeting on the planned Wellmont Health System-Mountain States Health Alliance merger again communicated the need for the merger but also included unexpected feedback Thursday night.

Speaking first in front of a small group at the downtown Food City Press Room was Wellmont Executive Vice President and Chief Financial Officer Alice Pope, who pointed out the merger could help the health care providers better attack issues like diabetes, cardiovascular disease, drug addiction and mental health.

“In this area, we face a lot of challenges,” Pope said. “... About one-third of the Medicare beneficiaries we treat at Wellmont Health System are under the age of 65 ... people qualify for Medicare through disability, and the leading disabilities we have in this area, the root is mental health and drug addiction ... We also have some of the highest rates of cardiovascular disease, pulmonary disease and diabetes.”

With the merger, both systems want to improve health care quality, outcomes and be a premier place to work, she added.

“We’re really good at sick care, but we want to improve the lives of people in East Tennessee and Southwest Virginia,” Pope noted. “What we want to do as a single health care system is be able to improve the quality of the health care we deliver and make it more affordable for the residents we treat.”

Pope said the new system also wants to partner with physicians — those within both systems — as well as independent practitioners. “What’s important is that we recruit and retain as many (physicians) as we can,” she said.

The merger, Pope also said, is about long-term financial stability for health care in our region.

After she spoke and solicited questions, a person who said he had worked for both health care providers expressed concerns about the merger.

That person was Scott Mann, who later identified himself as a technician working for the Veterans Administration.

“I don’t see how the duplicity that is obviously going to occur from this merger is going to benefit the employees who will potentially lose their jobs,” he told Pope. “... What’s to say if someone makes their boss mad one day and the boss says ‘I don’t want you here anymore.’ And they get you fired. Now you get a ‘Do Not Rehire’ put in your file ... If you work in the health care industry, you don’t work around here anymore.”

Pope responded: “I do think it would be misunderstood that you couldn’t work anywhere else. This new company will be partnering with other health care providers ... We would not control all the health care that’s delivered ... If we treat our employees unfairly, we hear from the community. We hear from our
board of directors ... If we start to engage in inappropriate and unethical behavior with our employees, we will be held accountable.”

But Pope also admitted both systems have less employees than in the past, and have lost nurses to health care systems outside the region. “With declining (federal government) reimbursement, we’ve had to cut back (on employment),” she said.

Both sides are currently working to develop a definitive agreement outlining the terms of the merger. They have also filed documents to obtain Tennessee and Virginia regulatory approvals, which will likely take through the end of 2015.

“We will be displacing competition,” Pope said. “Anytime you displace competition, you have to get approval from the states.”

For more about the planned merger, go to www.BecomingBetterTogether.org.
Meetings to be held on planned Wellmont-MSHA merger.

HANK HAYES• UPDATED OCT 7, 2015 AT 9:52 AM
hhayes@timesnews.net

Interested people are invited to remaining community health round table meetings on the planned Wellmont Health System-Mountain States Health Alliance merger.

The meetings are part of a regional effort to seek the public’s input on four key areas for health improvement: Mental Health & Addiction, Healthy Children & Families, Population Health & Healthy Communities, and Research & Academics.

A total of 10 meetings were scheduled throughout the region, beginning in August. The remaining meetings will be held: Thursday, Oct. 15, at Bristol Motor Speedway, 151 Speedway Blvd., Bristol, Tenn.; Tuesday, Oct. 20, The Inn at Wise, 110 E. Main St., Wise, Va.; and Thursday, Oct. 22, Memorial Park Community Center, 510 Bert St., Johnson City, Tenn.

The time for all meetings is 5:30 p.m. to 7:30 p.m. The College of Public Health at East Tennessee State University is coordinating the meeting series and will facilitate discussion around a central question: What can be done to improve the community’s health? Those who are interested in attending are asked to register at www.becomingbetters.org and clicking on the Get Involved tab.

The public meetings feature a “world café” style discussion with participants circulating through a series of small group tables to exchange thoughts and ideas. ETSU staff record the information presented during the meetings and will compile findings from the meetings into a comprehensive report that will be used by the proposed new health system to help create a 10-year plan for regional health improvement.

The merger process is currently being examined by both Tennessee and Virginia state governments.

For more information, go to www.becomingbetter.org.
As neighbor’s COPA dissolves, local health systems hope to get one of their own

NATHAN BAKER • OCT 10, 2015 AT 2:56 PM

Since the leaders of Wellmont Health System and Mountain States Health Alliance signed a terms sheet agreeing to pursue a merger, they’ve pointed across the mountain to a case of working state-imposed antitrust regulation on a merged hospital system.

At a public forum last month, Mountain States’ CEO Alan Levine said the certificate of public advantage held by Asheville’s Mission Health System since 1995 showed state regulation, instead of federal antitrust intervention, could counter anti-competitive health care mergers.

“There’s actually been an example in the last 20 years in this region where this has been done successfully, and that’s in Asheville, where the two health systems there merged about 20 years ago under a certificate of public advantage that is regulated by North Carolina,” he said. “In fact, the cost per adjusted admission at Mission is actually lower than all of its peer competitor hospitals in North Carolina, and its revenue, their charges per adjusted admission are actually lower than all of their peer hospitals in North Carolina. We think it’s a pretty good model that has been done even recently.”

To avoid stricter scrutiny from the Federal Trade Commission, the two regional hospital systems plan to ask Virginia and Tennessee to approve of the merger deal and set up stipulations and monitoring designed to combat the loss of competition locally. In Tennessee and other states, the granted agreement is called a certificate of public advantage, or COPA.

Mission’s COPA holds the organization to cost and margin requirements, intended to keep the cost of health care low, contract provisions to keep Mission from favoring one insurance company over another or from forcing doctors to make physicians’ contracts before being allowed to admit patients to hospitals, a set proportion of exclusive physicians’ contracts allowed in Mission’s territory and mandates regular reporting on the COPA requirements.

It’s been in place since 1995, when the legislature approved the agreement, but less than two weeks ago, lawmakers in North Carolina repealed the state’s COPA law, a move supported by hospital officials.

“Although it was an important tool at the time, it has outlived its usefulness and we feel strongly that this is the right decision for the residents of Western North Carolina,” Mission President and CEO Dr. Ron Paulus said in a statement to the Asheville Citizen-Times after the Legislature’s quick repeal of the law. In another statement earlier this year, Paulus told the Times-News of Hendersonville, North Carolina, that “Mission believes that after almost 20 years the COPA has outlived its useful life,” and he was “aware of the unnecessary waste and challenges imposed by the COPA.”

In an emailed statement to the Press, a Mission spokesperson said the health system would not comment on the COPA.

North Carolina Sen. Tom Apodaca, a Republican representing parts of Buncombe, Henderson and Transylvania counties, where Mission calls home, spearheaded the push to dissolve the COPA.
In media reports in June, he said the repeal of the law would increase competition and bring costs down, calling the anti-trust process an “antiquated system.”

Levine said Monday that, though Mission’s agreement was carefully scrutinized as Wellmont and Mountain States draft a proposal for their own COPA application, along with one held by Palmetto Health in South Carolina, the final document will be tailored specifically for the health needs of our region.

“I think it’s safe to say we’ve looked at every aspect of it, not just Mission’s, but others as well, to try to do what’s required by law and appropriate,” he said. “The basic purpose is to reduce growth and costs, making sure we have optimally met the needs of the region and to ensure a high quality of care. What we’re proposing goes way beyond any COPA agreement we have found.”

Adding a close research partnership with East Tennessee State University, which the health systems intend to do, drastically differentiates the regional systems’ scope from any COPA approved merger they studied, said Wellmont CEO Bart Hove.

“The COPA process is not that common across the country,” Hove said. “Any prudent organization would look to the research and resources available to help guide them. The benefit we have with Mission is that it’s been in existence for 20 years and has a long proven track record of controlling costs, increasing the quality of care and benefiting the system’s employees.”

In addition to surveying leaders of organizations working under COPAs, Levine said representatives of both systems met with local business leaders, physicians’ groups, patients and insurance companies to ask those stakeholders for their suggestions for the merger document.

“Each region’s health care is different and unique,” Hove added. “We want to pattern a plan and an approach that will improve all aspects of health care for the people we serve.”

With letters of intent filed with both states last month announcing a forthcoming integration master plan for the merger, the systems can file their COPA applications in November. Hove said the systems are on track to file them sometime this fall.
Health systems' proposed merger ‘relatively’ on schedule, leaders say

DAVID MCGEE BRISTOL HERALD COURIER | Updated 2 days ago

KINGSPORT, Tenn. — A significant amount of work is going into the proposed merger of two regional health systems and that process remains “relatively” on schedule, its leaders said Friday.

The CEOs of Wellmont Health System and Mountain States Health Alliance discussed that process and continued to tout the value of merging during a Healthy Kingsport symposium at the MeadowView Marriott. Both systems jointly announced in April they would pursue merging operations for their hospitals and health care facilities in East Tennessee and Southwest Virginia.

About a month ago, both filed letters of intent with state regulatory agencies in Tennessee and Virginia that they would seek their approval of the proposed merger.

Speaking before a room of regional health care providers, Mountain States CEO Alan Levine and Wellmont CEO Bart Hove answered questions and offered insight into the process.

“The due diligence process is an important process and that’s what we’ve been doing,” Levine said after the event. “We’ve all decided it’s best to do that right, take our time and make sure we’re thorough. That’s the fiduciary responsibility of both boards and I think they’re taking it very seriously. While we have an approximate timeline, it’s always better to be thorough and get it right the first time. Even with that we’re still relatively on target of where we want to be.”

Hove said the process has been demanding and they continue working.

“It is a tremendous amount of work and continues to fill our plates but we’re very enthused about the progress we are making,” Hove said after the program. “We still intend to file the COPA [certificate of public advantage] application this fall and the more we work together the more excited we become about the opportunity of that continuing on under a merged organization.”

A COPA in Tennessee and the similar cooperative agreement process in Virginia would allow the systems to merge, with the states actively supervising the proposed health system.

Tennessee’s Department of Health recently released interim regulations governing COPAs in Tennessee, and Virginia’s Department of Health is finalizing rules to oversee similar cooperative agreements. The rules provide a process and framework for state officials to follow in receiving and reviewing applications for such agreements and then actively supervising these agreements if approved.

Regulators have initially expressed interest although the formal proposal isn’t yet filed, Hove said.

“Everybody is interested in what is going on. They’re not leaning one way or the other toward the process but they all are knowledgeable and interested,” Hove said.

Levine said mergers of all types continue exploding across the current health care landscape.

“Anthem [insurance] is planning to buy Cigna and Aetna is buying Humana. There is massive consolidation out there,” Levine said. “Hospitals have been acquired by other hospitals, big hospital systems have been buying small hospital systems and you’re seeing this huge wave of consolidation,
largely because of Obamacare. Some of it was already happening but it really went at a fast pace after the Affordable Care Act.”

The Wellmont-MSHA merger plan continues garnering support from area businesses, health care groups and large self-insured employers, Levine said, telling the audience all but one major health insurance provider currently supports a merger.

“We’ve been having public meetings almost nonstop since we announced and what we’ve seen is, organizations like the Tennessee Nurses Association came to the last forum we had and the president of the Tennessee Nurses Association endorsed the merger,” Levine said. “People are doing their homework and asking the tough questions and we’re making it a priority to make ourselves available and answer everybody’s questions. Because we’re being transparent and doing it the right way, people are getting a sense of confidence.”

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Hospitals and health systems are in the business of people. As any nurse will tell you, providing services that save lives, treat critical injuries or illnesses, restore health and improve wellbeing is an important calling.

But getting the business of health care right is essential—or else health care might not work for the communities the system is meant to serve. What happens, for example, when the business and the human sides conflict? That's a question many people are asking in the Tri-Cities.

The Tri-Cities area is on the verge of an unprecedented change to the region's health care system. The word “merger”—usually reserved for Wall Street—has entered the world of hospitals. The region’s two major hospital systems, Wellmont Health System and Mountain States Health Alliance, aim to join together. The resulting mega-system would dominate health care in Northeast Tennessee and Southwest Virginia. And it would impact the thousands of affiliated physicians, nurses, clinics and other providers who operate within their systems.

The plan is likely to be approved. But in the meantime, there is reason for pause and forethought.

The merger will create a monopoly and reduce competition in our health care market, thus removing choice for consumers. We know that competition is a vital force in driving innovation, lowering prices and giving workers bargaining power. In the absence of competition, market checks and balances are removed.

The concern for the employees of both health care systems lies in what history has shown us. In other parts of the country, merged hospital systems have let their communities down. They have put the business too far ahead of the people they serve—and maximized profits by raising prices, cutting jobs and delaying investments.

If Wellmont and Mountain States merge, we will have to trust that the resulting hospital system—despite its incredible market power—will continue to respect the physicians, nurses, techs, cooks, accountants, and other personnel who make a health care system run. Hopefully, the company will continue to pay a fair wage for hard work and quality patient outcomes.

We will have to trust that the company won’t eliminate jobs in the name of efficiency, and make it harder to provide quality care. Hopefully, the new system will maintain a sufficient number of nurses and allied staff that will allow them to provide the care required to prevent complications and prepare the patient and their families to return home and to the community at the highest level of independent functioning.

We also will have to trust that the company won’t let prices creep up and put more strain on patients’ budgets. Hopefully, health care will become more affordable, not less so, even while investments are made in breakthrough medical technologies.

While we recognize the concerns, we also see the possibilities. There is an opportunity to embark on a transformational journey for our region to become a major center for health care research, development and health care innovation. The close partnership with East Tennessee State University could provide a full range of services, from understanding and addressing the population health issues to providing education, clinical care and research, as well as a highly educated local workforce. The partnership with ETSU also will provide unique opportunities to look at new and innovative care models for health care. The establishment of a statewide system of quality-based incentive payments to health providers, also called “pay for performance,” creates a stronger incentive for health care providers to improve quality, and places more information in the hands of the consumer.
Some have said the proposed merger is necessary to ensure health care can stay in business here, preserving our provider base and ensuring patient access to world-class care. Assuming the change is for the good, we nurses are all for it.

But business being what it is, we say this to you, Wellmont and Mountain States: The people of the Tri-Cities are putting their trust in you. Please earn it.

Frances W. “Billie” Sills, who lives in Johnson City, Tennessee, is a registered nurse with a master’s degree in nursing, and a former assistant professor at the ETSU College of Nursing. She is president of the Tennessee Nurses Association.
Town Of Lebanon Seeks Planning Grant For Downtown Revitalization Project

The Town of Lebanon unanimously approved to go forward with an application for a planning grant for a downtown revitalization project during their regular monthly meeting last Monday.

Jim Baldwin and Shane Farmer of the Cumberland Plateau Planning District Commission spoke to the town regarding their interest in seeking funding that would allow them to meet with stakeholders and plan a downtown revitalization. The goal of the town is to make the area more attractive for businesses. Jim Baldwin explained that project grants are competitive but the town would know in about one month after they file the application if they will receive the planning grant. The council approved for CP-PDC to be the grant manager for the town. Mayor Tony Dodi said they look forward to working with them and feel there will be many stakeholders ready to revitalize downtown Lebanon.

Other news from the meeting included a report from town manager Mike Duty who stated that work will begin this month on the replacement of the traffic light at Cleveland Road and Main Street.

The town is also in the process of making improvements at the Veterans Park with light enhancement and better access to raising the flags on the poles. Halloween curfew will be 9:00 p.m. and Police Chief Mark Mitchell said that everyone is encouraged to wear reflective clothing.

The Christmas parade will be held on Monday, December 7th at 6:00 p.m. The parade marshal will be Hassel Legley. The theme of the parade is “Old Time Christmas”.

After a joint meeting between the Town of Lebanon and the Lebanon Planning Commission regarding an application submitted by Mr. White Mullins for a conditional use permit to place a mobile home on an individual lot located on Gay Street in an R-2 General Dwelling District, the request was approved by both the town and the planning commission.

No one spoke against the request from the audience and Heather Peck spoke in favor of the permit being granted.

Mountain States Health Alliance and Wellmont Health System Holds Community Health Roundtable Meeting In Russell County

Mountain States Health Alliance and Wellmont Health System recently held a community health roundtable meeting at the Russell County Conference Center.

The meeting was part of a series of 10 roundtable meetings designed to solicit public input as the organizations work together in trying to solve some of the region’s most challenging health issues, as part of the proposed merger of Wellmont and Mountain States.

Tony Keck, senior vice president and chief development officer of Mountain States, offered a brief update on the proposed merger at the beginning of the meeting and took questions from the audience. When asked about the potential impact of the proposed merger on rural communities, he said, “One of the primary reasons for the proposed merger is to preserve rural access to care and not simply sustain health services in those communities, but to expand them to meet the communities’ needs.”

Dr. Randy Wykoff, dean of East Tennessee State University’s College of Public Health, gave a presentation on the health status of the region, noting that the early death rate in southeast Virginia and northeast Tennessee is significantly higher than the rest of the nation.

The primary drivers of poor health, Wykoff said, are behavioral choices and social factors that could potentially be positively impacted by a sustained, coordinated community effort. “This is about the kind of decisions that we, as communities, need to make to give our region a future that’s as healthy as it is beautiful. Never underestimate the power that you have for improving health,” Wykoff said.

To begin the group discussion, Wykoff posed the question: What can your community do to improve health?

The discussion, facilitated by ETSU, solicited comments from community members in two rounds of small group discussions. Notes were collected from the table moderators and presented in a final large group discussion. A few key themes emerged from the community participants: nutrition and physical activity, community development, access to services, education, family structure and substance abuse.

A full report of the meeting, along with reports from other meetings in the series, is available online at www.BecomingBetterTogether.org/Get-Involved.
A doctor’s thoughts on the proposed hospital merger

Sometimes things don’t turn out as planned. The big city health care gurus got a surprise.

More than a year and a half ago, Wellmont Health System (WHS) embarked on a strategic options process aimed at finding a suitable merger partner. The WHS board wanted a partner that had a compatible culture and was committed to quality care and the maintenance of patient access. Even more, WHS felt it needed a partner with deep pockets, willing to invest in our region and an organization with operational expertise that could help our system lower costs while improving quality and efficiency.

The large metropolitan health systems, who were interested in acquiring WHS, expected to find a poorly run organization here in the heart of Appalachia. Their plan was to show the locals how things were done, lower operating costs, invest in profitable services and end up with a tidy profit to take back to the mother ship.

What they found instead was a health system that was successfully dealing with low reimbursement, high managed care penetration, a high percentage of uninsured patients, two states that decided not to expand Medicaid and one of the unh healthiest populations in the nation. WHS was being run more efficiently and effectively than any of its suitors. Perhaps the reason the city guys folded their tents was that they had little additional expertise to offer and there wasn’t an opportunity for cost cutting that could have justified their investment.

“The only reason for us to merge,” one of them told our board members, “is that we could learn from you.” Several of the folks who were at the table have told me this was an honest appraisal of the situation, and not patronization. Reality stinks sometimes. There isn’t an external benefactor out there that is going to ride in on a white stallion and solve our problems. If we’re going to survive and thrive, it’s up to us.

The board had one other option, the local option, Mountain States Health Alliance (MSHA). “Anyone but MSHA!” many said at the start of the process. “MSHA and WHS have been battling one another since the two health systems formed. Our cultures are incompatible. We could never bury the hatchet. What about their debt? Besides, the regulatory hurdles will be too daunting.”

Great leaders know how to turn out static and find opportunity.

MSHA proposed, not an acquisition, but the dissolution of both MSHA and WHS with the formation of a new organization that will incorporate the strengths of both. After suspending their skepticism, the WHS and MSHA boards worked through a detailed analysis and came to the conclusion that not only is forming a new organization viable, but it is the obvious choice for the future of health care in our region.

The potential benefits are significant:

WHS and MSHA spend tens of millions of dollars yearly in duplication of support (nonclinical) services. A combined system will realize huge savings annually by consolidating some of these services.

The operational savings will be used to support badly needed but unprofitable services for the community such as a mental health and drug abuse treatment and access to rural hospitals, most of which currently operate with significant losses and will continue to do so. In the absence of a merger, these facilities remain vulnerable.

A combined system will invest in its existing workforce with improved wages and benefits and expanded training opportunities.

A combined system will leverage the clinical and information technology expertise of both systems to develop care processes that incorporate best and evidence based practices.

A combined system will invest in new high-end services which require significant capital investment and the recruitment of top talent.

A combined system, in partnership with East Tennessee State University and several regional osteopathic medical schools, can support expanded medical education. Developing local students in high-quality local training programs is the best way to assure we have an uninterrupted supply of health care professionals for our region.

A combined system will use the energy and innovation formerly spent fostering competition to engage with its communities to develop initiatives that will measurably improve community health.

The WHS/MSHA integration council and joint board task force are working hard to complete the financial due diligence, cultural analysis, naming and branding work, preparation of the definitive merger agreement and the bylaws of the new health care system along with the Certificate of Public Advantage (COPA) and cooperative agreement that will need to be approved by Tennessee and Virginia, respectively. These bedrock plans and documents must be done carefully and correctly if this new entity is to fulfill its promise. The COPA and cooperative agreement are the legal documents that the states will use to regulate the merged organizations. Because of its importance, we’re committed to seeking robust input from the public and other stakeholders through a variety of mechanisms.

A merger of this type will face robust regulatory scrutiny and may face opposition from some quarters. Regulatory approval isn’t a foregone conclusion. The merger of WHS and MSHA is a once-in-a-generation opportunity for our region to assure that our health care is financially sustainable, clinically excellent, up-to-date and innovative, as well as provides access and needed services for all. If our region doesn’t fight for and seize this opportunity, no one else will do it for us.

Dale Sargent, MD

(Dr. Sargent is the medical director of hospitalist programs for Wellmont Health System and is a member of the WHS/MSHA integration council.)
Health Systems Continue To Solicit Community Input Through Health Round Table Meetings

Four opportunities remain to participate in conversation about regional health

Local residents are invited to get involved in the effort to tackle the region's most important health issues by attending one of four remaining community health round table meetings hosted by Wellmont Health System and Mountain States Health Alliance. The meetings are part of a regional effort to seek the public's input on four key areas for health improvement: Mental Health & Addiction, Healthy Children & Families, Population Health & Healthy Communities, and Research & Academics.

A total of 10 meetings were scheduled throughout the region, beginning in August. The three remaining meetings will be held:
• Thursday, Oct. 15, at Bristol Motor Speedway, 151 Speedway Blvd, Bristol, Tennessee
• Tuesday, Oct. 20, The Inn at Wise, 110 E. Main St., Wise, Virginia
• Thursday, Oct. 22, Memorial Park Community Center, 510 Bert St., Johnson City, Tennessee

The time for all meetings is 5:30-7:30 p.m. The College of Public Health at East Tennessee State University is coordinating the meeting series and will facilitate discussion around a central question: What can be done to improve the community's health? Those who are interested in attending are asked to register at www.becomingbettertogether.org and clicking on the Get Involved tab.

The public meetings feature a "world café" style discussion with participants circulating through a series of small group tables to exchange thoughts and ideas. ETSU staff record the information presented during the meetings and will compile findings from the meetings into a comprehensive report that will be used by the proposed new health system to help create a 10-year plan for regional health improvement.

For more information, please visit www.becomingbettertogether.org.
LETTER TO THE EDITOR

Wellmont/MSHA merger would greatly benefit area

Posted: Wednesday, October 7, 2015 7:20 am

It’s no secret that the biggest concern in business is the cost and availability of health care.

With 16 locations and more than 300 team members at those locations, I know the burden health care costs place upon businesses and individuals.

I believe that merging Wellmont Health System and Mountain States Health Alliance into a single health care system would greatly benefit our entire region, employers and residents. In fact, this model should be utilized with every health care system in the country. We simply cannot afford the redundancies we have in our market.

Competing facilities offering duplicative services is confusing to patients and is not an efficient way to deliver health care. We have seen market forces elsewhere lead to mergers for those businesses to be able to continue to survive. Health care should not be any different.

The state of Tennessee will ensure that we have competitive pricing and a high level of service before it agrees to this merger. This may be the best opportunity we have in our market to create and grow a super-regional medical complex that could not only serve our area, but offer specialties that could benefit a global audience. That kind of health care presence would also be great for economic development in our region.

I support this merger proposal and hope others will as well.

Mitch Walters | Bristol, Tennessee
Working together as a healthy community
BY DR. RANDY WYKOFF • OCT 18, 2015 AT 8:30 AM

Since the announcement of the proposed merger between Mountain States Health Alliance and Wellmont Health System, there has been considerable discussion about the impact the merged systems could have on the overall health of the region.

Some people may be surprised to hear the health systems talking about promoting health and preventing disease, not just by new programs and activities that would happen within the new system itself, but also by actions and activities that would take place outside their four walls.

Why, some people might ask, are the health systems talking about actions that need to happen in the community and not just in their hospitals and clinics?

This discussion reflects the growing understanding of what are known as the “social determinants of health” or, more simply, “public health.”

Access to high quality and affordable health care (in physicians’ offices, in clinics and in hospitals) is absolutely essential to improving health in our region. Many of us wouldn’t be alive today if not for services provided by doctors, hospitals and clinics. Health care is essential, but it is not sufficient, to improving health in a region.

We are increasingly coming to understand that true, long-standing improvements in health come not just from good health care, but also from improving the overall conditions in which people live.

For example, we have learned that Americans in the lowest income group are, on average, three times more likely to die before the age of 65 than Americans in the highest income group. Additionally, high school drop-outs will, on average, live five to seven years less than college graduates. Babies born to mothers with less than a high school education are, on average, twice as likely to die in their first year of life as babies born to mothers with a college degree.

Many of these health challenges persist from one generation to the next. Children of parents with lower rates of educational achievement will, on average, complete less education than children of parents with higher educational levels. Children born to parents living in poverty are many times more likely to end up living in poverty than children born to wealthy parents.
Central Appalachia, including our region, has higher rates of poverty and lower rates of educational achievement than many other parts of the country. Not surprisingly, the region also faces greater health challenges than other areas.

Ultimately, “the social determinants of health” tell us that if we want to improve health in our region, we need more than just great healthcare. We also need to work with our colleagues who deal with economic development and our colleagues who work on assuring that our children get a good and meaningful education.

By equal measure, our colleagues in these fields should realize that they need to work with the health system. Our challenges are inseparable. For example, every employer will tell you they need a healthy, educated, drug-free workforce.

Every educator will tell you they need students healthy enough to learn and teachers healthy enough to teach — but they also need a robust economy to support the school system. Every health care provider will tell you they want patients who know how to improve their health, and also have the education and resources to invest in their health.

Improving health in our region requires all of us to work together — educators, the business community, faith leaders, the health care sector, and many more.

I applaud MSHA and Wellmont for recognizing that the proposed merged system can play a vital leadership role in bringing these groups together — assuring the health of our region — not just “within their four walls,” but also in the community.

Dr. Randy Wykoff is dean of public health at East Tennessee State University.
Southwest 2020 Summit kicks off in Abingdon

By Mandy Cordero, News Producer, MCordero@WCYB.com

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More than 300 top executives and community leaders from all across Southwest Virginia gathered hoping to work together to improve the region’s educational and health outcomes.

The Southwest 2020 Summit kicked off Thursday in Abingdon.

This year’s summit included a new community input session dealing with the two healthcare providers’ ten year strategic plan.

The plan would cover four key areas including mental health, research, kids health and healthy communities.

"We’ve been able to provide learning sessions for community leaders and members to look at tools and best practices at things happening around the region as well as around the country that they can use and implement here," said CEO of United Way Southwest Virginia, Travis Staton.

Mountain States Health Alliance and Wellmont leaders gave an update about their planned merger during the summit.

They talked about how the merger will benefit the region by hopefully keeping costs down and bringing more resources to the area.

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The Business Journal: Thanks for taking the time to speak with us. Let's just begin with an overview of where Wellmont stands in the merger process at this point.

Bart Hove: Since our April announcement, a lot of work has taken place. One of the first pieces of business associated with that was to form our joint board task force and our integration council, which you've heard a lot of the descriptions of the makeup of those two groups. The integration council is really responsible for doing a lot of the leg work and overseeing the consultants’ work that's going on in the area of cultural assessments board, due diligence, cost savings opportunities and validations of those. And so they report to the joint board task force which is receiving the information and also providing guidance back to the integration council of further clarification on work that needs to be done. That’s been ongoing since maybe May.

We have reviewed the emergency rules that were put out by the state of Tennessee and had discussions with the commonwealth of Virginia on the preliminary rules that they’re establishing for our public advantage agreement in that state. We filed a letter of intent Sept. 15 in both states indicating that we would apply for Certificate of Public Advantage in both states. There’s a 45-day waiting period after that filing in Tennessee. We have used that 45-day period to begin the draft development of the COPA for Tennessee and the language in both states is fairly similar although not exactly so. We’re using the same process in Virginia and we’ll modify that slightly based upon the regulations that they ultimately settle on.

BJ: What are you hearing from the various constituencies during the waiting period? What have been the biggest concerns of the various parties from payers to physicians to the business community and the general public, and how are you addressing them?

BH: Well, also along those lines of course we constantly give updates, whether it's on our webpage or the Chambers of Commerce meetings or any other venues we're asked to go to provide those updates to keep our community informed of the progress that we're making. In the meantime, we've had the discussion groups where meetings have been held in all of the communities that we're serving now to gain input, particularly in four particular areas (Mental Health & Addiction, Healthy Children & Families, Population Health & Healthy Communities, and Research & Academics), but also as a barometer for what's going on in the communities and listening to any questions or concerns that are popping up.

For the most part it’s been very quiet on the opposition front. The insurance companies in our initial meetings with them were receptive to the concept and the idea and expressed a willingness to work with us. In the new environment that's being created across the country in health care, and you've heard us talk about the pay for value vs. paying for volume, structuring some programs that are beneficial to the patient for keeping them healthy, spending less dollars for their health and really trying to convert our whole country into a new approach or a new focus on health care. So part of the importance of our relationship going forward is to focus on those types of areas that we believe can really be affected by our organizations coming together and providing those types of services in a different way and more cohesive way using the community agencies that exist as well and partnering all across the continuum. Interesting enough, places all across the country are looking at similar types of approaches to converting their health systems or hospitals to deal with this changing evolution of health care delivery.

Back to your question, the support that we've been receiving has been really positive from our communities. For the most part, the feedback from businesses, from the insurance companies, from the individual consumers and most of the physicians has been very positive along the lines of what we're trying to do.

It does raise questions in peoples' minds about the unknown—what is this really going to be like and how is it going to work and function — so it's really important for us to try to address those questions when they come up or in the presentations that we have in community groups. We always try and make sure we have time for questions at the end of our presentations just to answer anything that might come up.

BJ: Looking at the rules put out by the states, was there anything that struck you as more stringent than you originally thought?

BH: Not particularly, although the devil's in the details, as the old saying goes, and I think that what may be a practical exercise will be once we file our application. Their request for more details — certainly the state has a right and an opportunity to do that — I think that is where we may get into some other areas that maybe we didn’t expound upon in sufficient detail to meet the inquiry of the state.

The original list of questions and statements were not really any kind of surprise to us and we have had the opportunity to comment in both states on those regulations and we believe that the states listened openly to comments that we wanted to file related to their regulations to begin with. There really wasn’t a whole lot of differential between our comments back to the state after the regulations were proposed.

BJ: For folks who are just coming into this discussion a few months into the process, when you say 'the states,' what bodies are you going to be working through to hammer out all these details with both Virginia and Tennessee?

BH: Well they are a little different because in Virginia, the legislation that was passed giving us the public advantage opportunity...
Q&A, CONTINUED

there is just for southwest Virginia. So the Health Authority Group was created to oversee the work and the process of the public advantage relationship. They will report to the commissioner of health in Virginia and ultimately the attorney general is the one that’s charged with overseeing and monitoring the activity associated with the public advantage.

In Tennessee it’s a statewide legislative process that we’re experiencing and the commissioner of health is charged with doing a lot of the work and working with the attorney general in Tennessee to oversee the effectiveness of the COPA regulations and the parameters with which we’re being asked to operate.

BJ: When we sat down for the roundtable discussion the day you announced plans to merge, one of the questions we didn’t ask, and we’ve been kicking ourselves for not asking, was, ‘So Takoma is out of this and gone forever, right?’ (Ed. note: Wellmont is in the process of acquiring Takoma Community Hospital from Adventist, with whom it at one time partnered to run Takoma, before leaving that partnership, only to return now to acquire Takoma completely). How has the reinsertion of Takoma into Wellmont affected Wellmont and the merger?

BH: Back in 2014, June of 2014, after a lot of discussion, the two health systems decided that it would be in the best interest of Takoma and the community in Greeneville to have one owner rather than two. So we elected to step out and Adventist elected to pick up Takoma 100 percent. They actually were trying to work through their own long-range strategy in the Greeneville market with Takoma. (Ed. Note: off the record rumors of a Takoma merger with, or a sale to Laughlin Memorial Hospital were, for a time, rampant) and they did have some ongoing discussions with Laughlin at the time. When it was apparent that that strategy was not going to be successful for the Greeneville market, in part of the document that was put together for us to bow out of Takoma there was language that said if it appeared that a more regional owner would be better suited to work with the facility rather than Adventist, which is a national party, then there was the opportunity for the hospital to become reengaged with Wellmont. Indeed, once the strategy didn’t look like it was going to play out to work something out with Laughlin in the Greeneville market, Adventist talked with us about becoming involved at a different level again with the Takoma facility. So we had several conversations with them about what that relationship would look like. Would it be a partnership like we had before or would it be 100 percent ownership? We basically or a little bit longer than we had anticipated. So we’re behind the November transition date.

BJ: Do you remain confident it will close?

BH: Yes.

BJ: How does the fact that as the two entities, Wellmont and Mountain States are merging, one of them is adding an asset affect the merger?

BH: It really hasn’t. We disclosed early on when it appeared to us, even before we had a final deal with Takoma, that just out of an awareness it looked like that facility would become part of the Wellmont Health System and therefore be part of the COPA application going forward.

Interestingly enough, the attorney general in Tennessee is very familiar with our relationship with Takoma and when we talked with him about that transaction and it being a little bit nebulous about when it would happen, it didn’t cause him any concern at all. He was aware of the previous year’s separation of Wellmont from the hospital and knew fully well that there might be an opportunity for us to become involved again.

It really hasn’t surprised Mountain States in this process either, as we’ve moved ahead at this time. Neither has it surprised the attorney general so it’s really not been an issue.

The real issue is just the timing of, ‘Are they on board whenever the COPA’s granted or do we bring them in after the COPA’s granted as an amendment to the facility?’

BJ: As you do all this merger work, you remain Wellmont Health System, an individual and separate company from Mountain States, and the possibility exists that any number of things could go wrong and the merger not take place — or the merger could happen, but then break apart. So by law, you maintain total independence. Tell us about the process of competing with someone with whom you are merging?

BH: (Smiles) It’s been a little interesting. I guess is a good word to use, as we recognize that we have to remain competitors until such time as we do have a green light from the state to merge our two institutions
together.

That being the case, strategically when we look at our business plan and our evolution of care and delivery in our market place, we continue to aggressively pursue our plan as it is established now and to put ourselves in the most effective and competitive position whether we merge or don’t merge. We believe that the business strategy that we’re executing today is a solid business strategy as competitors or collectively together as partners.

And because we are trying to evolve the process of the delivery of care and take a leading edge in that, we’re venturing into areas that here before have really not been well served or weak in our communities and that’s primarily on an ambulatory basis where our urgent care centers and our expansion of our cancer programs and cancer offices are having a very positive effect on the accessibility to care and in more appropriate settings or less costly settings, if you will.

While that strategy has been ongoing, just recently we’ve had a first full-year in Kingsport and Bristol in those two urgent care centers and we opened up one in Lebanon and are soon to open up a few more urgent care centers, one in Rogersville and one in Bristol, Va., all really to put ourselves in a more convenient opportunity for our patients to access their healthcare needs.

Again, we believe not only that but we’re on the verge of launching an e-visit type program for our primary care services within Wellmont Associates and the new technology allows you to do a lot of different things – the Epic implementation – that’s doing extremely well for us. It is continuing to provide benefits and just this e-visit approach is another opportunity where we can connect with the patient and be convenient with the patient so that they can access care when they need it.

BJ: Access is one of the points of the triple aim. From your personal perspective, your thoughts on the overall refocus of health care in America and the opportunities. It’s created a whole lot of work for folks...

BH: First let me say that I believe it’s the right thing to do, from a country standpoint. We have to maintain a high level of quality of care on the acute side, but where we have been weak I believe is in providing access and opportunity for the patients at their convenience at the ambulatory side and providing the education that’s necessary for people to live healthy lifestyles.

Obviously in this region we are in a part of the country that has demonstrated historically very poor health habits. We have high incidents of obesity, cancer, drug abuse, mental health issues, stroke – moreso than the vast majority of the country experiences, and a lot of that is related to the lifestyles that people choose to live in our region.

So we have an opportunity or a challenge to connect more directly with the patient to try to enhance in small increments their lifestyle choices so that we can, over time, reduce the impact of the escalating costs of healthcare to our country as a whole while improving the health of the individual consumer.

We’ve got to get a grip on the spending of health care across the country and we’ve got to broaden out the knowledge of healthy lifestyles to individuals all across the country. That is a major disruption to how healthcare has been delivered in the past. With that transition, it’s really a transition of economics, of consumer values, and trying to instill all of that at one time.
obviously needs to be done very slowly so that we don’t totally disrupt the economy of health care within the country. But at the same time we’ve got to do it at a pace that makes sufficient progress in a reasonably short period of time in order to start having the impact we need to have not only on the finances side but also on the consumer side and instilling those lifestyles.

Part of the merger piece really is fundamentally geared towards improving the lifestyles of the folks in our region. We believe that because our region is somewhat isolated geographically—speaking, that we can connect, using the local resources that exist, that have been maybe less coordinated than we would like to see them all coordinated… a lot of the agencies do a wonderful job but they do it in such a silo, in such a small area that the agency next door to them might be doing the same thing but slightly different so the impact is not as broad and as impactful as it could be if everything was coordinated. One of the goals we have is trying to envelop all of those programs and agencies. We don’t believe that we can do it ourselves. But we collectively believe that if we can pool all of the resources together that we can have a greater impact on our community.

It’s trying to build an education from very early on in the development of individuals as they’re pre-kindergarten, growing up and going through school. We believe that we can have an impact on adults but that’s years and years of habits that you’re trying to change so concurrently with working on those, we want to also establish a relationship with the pre-kindergartners to start their lives out in a healthier manner than the parents or adults that are raising them.

BJ: That accountable care community concept and the public health piece in general — in the process of putting all this together, it was obvious if you’re going to merge, Wellmont and Mountain States have to agree. It was not as obvious that ETSU would become the third leg. How did that come to be?

BH: One of the aspects of the COPA process itself is to help the economy of the region. Not only are we trying to save wasteful spending that we have within the competition of our two systems going forward, but we want to channel the opportunity of additional economies and resources into our region.

Collectively, we believe that ETSU has not been able to get the momentum going to develop the research components that could bring additional industry into our region. We’ve had a couple of successes in the past with some of the drug companies, Pfizer, King, and others, where they were real economic engines for our communities in a small way but over time they’ve fallen upon hard times.

We believe there are substantial research dollars that are available but helping ETSU to get the momentum going forward takes some seed money. We believe some of the cost savings that we can generate from our collective coming together could be funneled into ETSU to help them kick off some of those research programs.

Once you get their research talent, once you put that kindling out there and light the fire, it kind of takes care of itself over time. But getting the momentum started in the first place has been some of the hard pieces that haven’t happened to the extent that we would like to see and believe can happen in this area.

With those come additional jobs that are really high-end type educational jobs. We think it would be synergistic for other physicians wanting to come for their training at ETSU or for the allied health practitioners that are needed to help support the medical industry and the research industry, then you have other businesses that want to feed off the research that’s going on.

So again, it’s a long vision, a long process that we intend to go through but it’s really to help our economy as a whole rise and grow. And it goes back to again, you’ve got to do better at education so that we have more high school graduates first, then high school graduates going on to colleges and universities, then having the jobs available for them once they finish their college education that are going to help our economy to grow. It’s a long-term vision but we do believe that we would be successful in being able to generate that over time.

So the third leg of the stool if you will, aside from just the obvious of the dependence we have on not only ETSU for our workforce, but Milligan and King and all the other universities, Northeast State, you name it.

We’ve got an aging population. The population that works in our facilities will also be thinking about retirement and we’ve got to replenish those over time too, so we need to continue to work with all our institutions of higher learning. The biggest impact, however, is reserved for the research piece that we really think holds some great promise in improving the economy of our region.

BJ: In speaking of the economy and jobs, neither side has been shy about saying there will be some pain in the form of jobs going away in the transition. What thought is being given to organizing along the lines of, say, centering cancer care in Bristol, heart care in Kingsport and women’s and children’s in Johnson City?

BH: That is a question that a lot of our community residents ask us in this merger
process and it's one of those questions that because of the regulations we're under and scrutiny we're under in the merger piece, we have not been able to have conversations with each other about.

Services, and the location of those services, are a protected area from the Federal Trade Commission's standpoint of strategy so we're not able to have those conversations. I think it's natural that the community wants to go to those questions. It's unfortunate but the reality is that we're not able to answer the questions at this time because we're not able to have those conversations.

What we tell the community is we appreciate those thoughts and ideas and if they want to keep those ideas and thoughts coming, they should do so through the public venues that we have. As soon as we receive approval from the states for our COPA applications, that is when we'll start having those types of discussions and being able to effectively plan for what the future looks like in our region.

BJ: But it's fair to say that inside your organization, you're sharing thoughts on exactly how the unnecessary duplication of services we've had in the past can be best put aside in the new organization and you're looking forward to the point at which you can hear theirs, share yours and move forward?

BH: I think that's one of the opportunities that we are looking forward to in having those types of discussions. Presently we're having to remain as competitors and as we talked about early on, we are aggressively pursuing our business strategy that we have today for the Wellmont Health System which is to be more available and accessible to the public as it relates to access into the primary care and opportunities for delivering their care in convenient and cost-effective ways.

We think that strategy will serve us well in a merged organization or in a competitive environment going forward. And yes we do look forward to the day when we can have those conversations about how can we go to the next level in efficiencies within the region that we're serving.

BJ: So what is the current merger timeline?

BH: We still intend to file the COPA applications in the fall, which I guess gets us up until mid-December or so. That's still the desire of our organization so far. We're working; our joint board task for integration council's working on by-laws for the new system, policies about how we would operate in general, reviewing the consultancy reports, some of that information has to be put into the COPA application so that COPA application will be put out for public view and so we look forward to the input that the public would have as we get ready to file that application in the fall.

BJ: And once the application is accepted, the speed of the process depends not just on you but also on two different state governments.

BH: There is an opportunity once we file that application if the stage determines that they want questions answered or more information the clock doesn't start running. But there is a clock once the application is complete and it's 120 days in Tennessee and 150 days in Virginia. I think it's natural to expect that since this is the first time in Tennessee and Virginia that this type of request has been filed, there are likely to be questions from the commissioners of health in both states about further information they would like. So sometime after we file I'm sure we'll get a request for more information before the clock starts running.
Keck: "Newco" to help coordinate community efforts

By Scott Robertson

Speaking after the final scheduled community forum regarding the proposed merger of Mountain States Health Alliance and Wellmont Health System, MSHA Senior Vice President and Chief Development Officer Tony Keck said the newly formed company (dubbed Newco as a working title until the company name is formally announced) will try to work as a coordinator for other agencies and organizations.

Healthcare alone cannot make people healthier, Keck said. "If we’re really going to improve the health of our region, we need a broad group of individuals and organizations that represent all the social determinants of health such as education, law enforcement, housing, healthcare providers and government, to get around the table, set some common goals and then all do their part in their unique way to actually move the region towards those goals."

Just as Newco hopes to work more efficiently by eliminating unnecessary duplication of services in the healthcare marketplace, Keck said, it may be possible to bring organizations with complementary aims together to reach health improvement goals more efficiently.

Newco can help bring those groups together, Keck said. The key is to have broad buy-in to the concept of making the community healthier. "If we’re trying to reduce heart disease in a community, certainly one thing a provider like us can do is reach out and do more screenings for heart disease, but something that other employers might do is prohibit smoking in the workplace. Schools might get involved by running programs to keep kids and teens from starting smoking in the first place. Parks departments might create more green space for people to get outside.

Roads departments might make it easier for people to walk as opposed to just drive. When you layer all these things on top of one another in a concerted effort, there’s evidence that you can make real progress in a community."

The process of holding the ten public meetings regarding the merger has identified more than 140 individuals and organizations throughout Northeast Tennessee and Southwest Virginia that can play a role in coordinating efforts, Keck said. "Through the merger we’re going to make dollars available to actually help fund programs in a sustainable way."

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A process is in place

Mountain States Health Alliance and Wellmont Health System have been, on the whole, pretty transparent about their merger plans. Media roundtables, public information sessions, a regularly updated website—all tools to inform and, it must be said, to avoid even the appearance of secrecy. There’s been only one major area where non-answers have been standard fare: how the efficiencies to be realized by elimination of unnecessary duplication of services will be managed.

Then, last month, a tiny gleam of light appeared in that dim space. It came in a statement made by Tony Keck, a senior vice president at Mountain States Health Alliance. Speaking to around a dozen Johnson Citizens at a public information session regarding the proposed MSHA-Wellmont merger, Keck said something that caught my attention.

Before I repeat it, let me just say that up until now, every public statement I have seen or heard regarding the process of deciding how the newly merged company will be organized to maximize efficiencies has been along the lines of, “Well, we have some ideas, and we’re sure the other side has some ideas, but the Federal Trade Commission prevents us from discussing those in public or with each other directly while we are still competitors.”

Every word of that is true.

But do you honestly believe that two multi-million dollar companies are going to merge without each having very strong advance notions about what the other is thinking regarding the ways efficiencies will be managed once the deal closes? How could they even formulate their COPA applications otherwise? It’s an absurd notion. It’s obvious the two sides can protect themselves from entering into an agreement that could be fraught with misunderstanding.

When asked about achieving efficiencies through the elimination of unnecessary duplication of services, Keck told the Johnson City meeting attendees there is, “a process in place.” That process does not yet include direct talks between the two systems on notions such as moving one program to one hospital and another to another, he said, but it does exist.

So when we talked with Keck the next day about the concept of accountable care communities (a wholly laudable idea in which the new company will facilitate coordination of community efforts toward common health-related goals—see page 21), we asked about this process Keck had mentioned.

“We’re in a modeling phase right now,” Keck said. “The modeling lets us have ideas about where there are opportunities, and do we have more beds per capita than we need and so on. That can take us so far. That’s really what will drive our initial COPA applications and the commitments we make that we’ll be able to look at our utilization the best per thousand individuals. We’ll be able to look at our actual staff and number of beds and from that we can identify a lot of theoretical opportunity.

“We’re also taking a look at our purchasing power across the systems. Are we using five different versions of the same medical device that if we switched to two or three we can get better prices? A lot of that is going on.”

Keck then cautioned that the really important work on implementation would indeed come after closing, and would involve physicians, nurses, staff and board input—as everyone has been saying all along.

“We’ll be able to say, ‘OK, we know these opportunities exist in terms of benchmarks of other well-functioning systems and so on—and we know for instance we’ve got two or something in a market—what’s the best strategy going forward?’” Keck continued. “Without being able to sit in a room and have those conversations, which we’re not really allowed to do legally because we’re still competitors, we’re not being specific about those things right now.”

We asked Keck, with those limitations in mind, what conversations can be held together at this stage and what discussions must take place internally at each company. Here’s the transcript of his reply:

Keck: “We actually have consultants that are helping us look at that. Some of that work is done in a black box where we can’t see what each other is doing—but consultants can—and then they’re able to give us some generalized results from that. That’s actually been a big part of our due diligence and preparation for the application is consultants working on things that we’re not allowed, under law, to see in each other’s businesses. That’s a pretty common approach, the black box approach.”

Business Journal: So you’ve got a third party who can leave room for progress...

Keck: “Yeah, without violating the competitive constraints.”

Now we’re not here to put a halo on Tony Keck for telling more of the truth, or to vilify anyone else who hasn’t said as much in the past as Keck did here. We’re just pleased the process has reached a point at which the public is being trusted with a significant piece of new information that advances the common understanding beyond the previous party line.

Scott L. Bold
Insurers say hospital merger in far southwest Virginia would drive up costs

By Luanne Rife luanne.rife@roanoke.com 981-3209 | Posted 11 months ago

A merger of far southwest Virginia’s predominant health care systems would create a monopoly that would price patients out of affordable care, according to economists hired by the nation’s insurers.

America’s Health Insurance Plans on Friday released a report that says a merger by Wellmont Health System and Mountain States Health Alliance would give the combined company more than a 77 percent share of the market covering far southwest Virginia and east Tennessee and raise prices by at least 20 percent.

“Concentration would increase well beyond the thresholds considered anticompetitive by competition agencies,” the report written by Michael Doane and Luke Froeb of Competition Economics said.

Wellmont and Mountain States plan to combine their systems, which together serve about two dozen mountainous counties in the two states. Proponents think the merger would better position the rural hospitals to withstand a changing marketplace, and protect communities from losing their hospitals as happened in Lee County in 2013 when Wellmont, without warning, closed the hospital.

Opponents believe that the merger would decrease access by making health care unaffordable, and that it would not inoculate against hospital closures.

Wellmont and Mountain States issued a joint statement in response to the insurers’ association, which they called “a D.C.-based lobbying group whose efforts and advocacy have led to double digit increases in health insurance premiums for consumers this year.”

The health care companies said that they have “overwhelming support from the business community, the public and our local elected officials,” and that the merger would improve community health and reduce the growth in costs.

“We plan to submit documents to the states and to the public in just a few weeks, which will outline the facts of our commitments. At that time, we will fully respond to the study paid for by AHIP, and the public will have the opportunity to reflect on the actual facts,” the joint statement said.
Virginia and Tennessee have set up unique processes to advance this merger. The cooperative agreement skirts traditional certificate of public need requirements by allowing systems to join together when the state agrees that a lack of competition is better for the public.

Whether Wellmont and Mountain States would also require approval of the Federal Trade Commission is unknown.

The FTC last week challenged a similar merger by two hospital systems in West Virginia. The agency said competition would be eliminated, resulting in higher prices and reduced quality.

America's Health Insurance Plans believes the same thing would occur in Virginia and Tennessee.

Executives of both health systems have said they would seek out-of-market partners if the merger fails.

The systems serve the same mountainous region, with Mountain States having 13 hospitals and Wellmont six. They both have a network of clinics, physicians and specialized care.

The Virginia Hospital and Healthcare Association supports the merger as a rational response to market conditions.

"In the current climate, many hospitals face tremendous financial pressure. Health care providers in southwestern Virginia and eastern Tennessee know this from first-hand experience delivering care in a region where economic conditions are challenging and patient reliance on government-payer health programs is increasing," said spokesman Julian Walker.

Until the merger negotiations began, Wellmont and Mountain States were rivals. Lee County's government officials maintain that their hospital remained profitable but was closed by Wellmont so it could better compete against Mountain States and capture a greater market share at its other hospitals.

Lee County officials have since bought the building from Wellmont and are working with Mountain States to reopen some services, though ultimately Wellmont maintains the right of first refusal to offer services.

The insurers question the need for the rivals to merge. AHIP spokeswoman Clare Krusing said the health plans are willing to work with each system to improve patient access and to offer technology support that would ease financial pressure.

Doug Gray, executive director of Virginia Association of Health Plans, said both health systems survived a long time and could continue to do so.

"The fundamental question is, why is a monopoly necessary?" Gray asked. "Other hospitals expressed an interest in purchasing Wellmont, but the parties sought a monopoly anyway. Even in a place as poor as Lee County, the local owners didn’t need..."
Insurers say hospital merger in far southwest Virginia would drive up costs - Med Beat - ...

to close that facility. They wanted to do it. Who’s to say they won’t do it again and leave consumers with no alternatives?"
IT'S UP TO US

We alone can seize opportunities for region's health care


Sometimes things don't turn out as planned. The big city health care gurus got a surprise.

More than a year and a half ago, Wellmont Health System embarked on a process aimed at finding a suitable merger partner. The board wanted a partner that had a compatible culture and was committed to quality care and the maintenance of patient access. Even more, Wellmont felt it needed a partner with deep pockets, willing to invest in our region, and an organization with operational expertise that could help our system lower costs while improving quality and efficiency.

The large metropolitan health systems that were interested in acquiring Wellmont expected to find a poorly run organization here in the heart of Appalachia. Their plan was to show the locals how things were done, lower operating costs, invest in profitable services and end up with a tidy profit to take back to the mother ship.

What they found instead was a health system that was successfully dealing with low reimbursement, high managed-care penetration, a high percentage of uninsured patients, two states that decided not to expand Medicaid and one of the unhealthiest populations in the nation.

Wellmont was being run more efficiently and effectively than any of its suitors.

Perhaps the reason the city guys folded their tents was that they had little additional expertise to offer and there wasn’t an opportunity for cost cutting that could have justified their investment.

Reality stinks sometimes. There isn’t an external benefactor out there that is going to ride in on a white stallion and solve our problems. If we’re going to survive and thrive, it’s up to us.

The board had one other option, the local option, Mountain States Health Alliance. “Anyone but MSHA!” many said at the start of the process. “MSHA and WHS have been battling one another since the two health systems formed. Our cultures are incompatible. We could never bury the hatchet. What about their debt? Besides, the regulatory hurdles will be too daunting.”

Great leaders know how to tune out static and find opportunity. Mountain States proposed, not an acquisition, but the dissolution of both systems with the formation of a new organization that will incorporate the strengths of both. After suspending their skepticism, the Wellmont and Mountain States boards worked through a detailed analysis and came to the conclusion that not only is forming a new organization viable, but it is the obvious choice for the future of health care in our region.

The potential benefits are significant:

1. Wellmont and Mountain States spend tens of millions of dollars yearly in duplication of support (nonclinical) services. A combined system will realize huge savings in these areas.

2. The operational savings will be used to support badly needed but unprofitable services such as mental health and drug abuse treatment and access to rural hospitals.
3. A combined system will invest in its existing workforce with improved wages and benefits and expanded training opportunities.

4. A combined system will leverage the clinical and information technology expertise of both to develop care processes that incorporate best practices.

5. A combined system will invest in new high-end services that require significant capital and the recruitment of top talent.

6. A combined system, in partnership with East Tennessee State University and several regional osteopathic medical schools, can support expanded medical education.

7. A combined system will use the energy and innovation formerly spent fostering competition to engage with its communities and measurably improve community health.

The Wellmont-Mountain States integration council and joint board task force are working hard to complete the financial due diligence, cultural analysis, naming and branding work, preparation of the definitive merger agreement and the bylaws of the new health care system along with the Certificate of Public Advantage (COPA) and cooperative agreement that will need to be approved by Tennessee and Virginia. These bedrock plans and documents must be done carefully and correctly if this new entity is to fulfill its promise.

A merger of this type will face robust regulatory scrutiny and may face opposition from some quarters. Regulatory approval isn’t a foregone conclusion.

The merger is a once-in-a-generation opportunity for our region to assure that our health care is financially sustainable, clinically excellent, up-to-date and innovative, as well as provides access and needed services for all. If our region doesn’t fight for and seize this opportunity, no one else will do it for us.

Dale Sargent is the medical director of hospitalist programs for Wellmont Health System and is a member of the WHS/MSHA integration council.

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Federal Trade Commission fighting WV merger, asking questions about MSHA-Wellmont deal

By Nate Morabito

Published: November 11, 2015, 4:43 pm  Updated: November 11, 2015, 5:43 pm

Mountain States Health Alliance CEO Alan Levine says the health system’s attorneys and Federal Trade Commission attorneys have had conversations about its proposed merger with Wellmont Health System.

“Our lawyers have been communicating with their lawyers and we’re certainly prepared to cooperate in any way, shape or form,” Levine said. “Their role is important. We respect it.”

There’s no guarantee the FTC will try to stop the Wellmont-Mountain States’ merger, but the agency hasn’t shied away from getting involved in recent years. Just last week the FTC tried to stop a hospital merger four hours away in Huntington, West Virginia.

The FTC filed an administrative complaint alleging the deal between Cabell Huntington Hospital and St. Mary’s Medical Center would lead to a “near monopoly” and could result in “higher prices and lower quality of care.”

That news comes as MSHA and Wellmont continue to move forward with their proposed merger; one that still needs state approval. Their hope is that process, which includes the filing of a Certificate of Public Advantage with both Tennessee and Virginia, will eliminate the need for the FTC to get involved.

The heads of both systems say the COPA process is just one way this merger is different than the one in West Virginia.

“I don’t think that the particular decision (by the FTC in West Virginia) necessarily has any impact on our efforts to merge our two organizations together under the COPA regulations in Tennessee and the Commonwealth of Virginia,” Wellmont Health System President and CEO Bart Hove said.

Levine says there isn’t a COPA process in West Virginia and beyond that, he argues the two mergers are different in other ways.

“We’re making an affirmative commitment to reducing the price of healthcare for the employers and the people buying in this region,” Levine said. “West Virginia didn’t propose that. The growth of cost is actually going to decline, because of what we’re proposing.”

According to Levine, the health systems will formally file their COPAs sometime in December. He says later this month they’ll file a pre-submission report, which will give the public a clearer picture about what they’re proposing.

“We’re going to make a clear and compelling case, a clear and convincing case that the benefits of this merger outweigh any of the potential risks or adverse effects that the FTC might want to suggest,” Levine said. “I think when people see it and the FTC sees it hopefully they’ll get a better understanding of the commitments we’re wanting to make.”
Although the states are in charge of regulating the merger there is still the possibility the FTC could get involved formally. If so, Levine says they are prepared.

“We don’t know what we don’t know,” Levine said. “The FTC certainly has the right, but remember the FTC can’t unilaterally stop anything. They have to go to court and in the courts the law matters and we certainly believe we have a very strong case.”

Levine says the merger is supposed to close by next summer. If the FTC does get involved there will most likely be a delay.

“The problem is that the more it’s delayed the more it delays our ability to reduce the growth of cost in the region,” Levine said. “It delays our ability to invest in research and academics in this region. It delays our ability to invest heavily in mental health.”

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A recent study commissioned and publicized by a health insurance industry lobbyist group claims the proposed merger of two Tri-Cities health care groups would negatively affect patient costs, but the hospital systems say the group has its own special interests in mind.

The report, released by trade association America’s Health Insurance Plans, concludes that the proposed merger of Wellmont Health System and Mountain States Health Alliance “is likely to significantly reduce competition and raise prices for consumers.”

AHIP spokesperson Clare Krusing said Friday the analysis, written by consultant Michael Doane and Luke Froeb, former director of the Bureau of Economics at the Federal Trade Commission, raises legitimate concerns regarding the anti-competitive aims of the two health care providers.

“Why this merger stands out for us is that it essentially would create a monopoly,” Krusing said. “When you have a monopoly on care providers in the area, it leaves little room or ability to negotiate lower prices, and, in certain cases, makes no demonstrated improvement in quality.”

The regional health systems dispute the findings of the report, saying the authors did not account for the certificates of public advantage, or COPAs, being pursued to act as a balance for the larger system.

“Mountain States and Wellmont are building something new, and we have overwhelming support from the business community, the public and our local elected officials,” the organizations said in an emailed joint statement. “Our newly formed system will be supervised by Tennessee and Virginia and include enforceable commitments to increase services, protect rural access, improve community health, and reduce the growth in costs.”

The statement called AHIP “a DC-based lobbying group whose efforts and advocacy have led to double digit increases in health insurance premiums for consumers this year.” The systems’ leaders have only recently received the group’s report, the statement says, but they plan to fully respond to the study when the systems apply for state-supervised anti-trust programs, expected in a few weeks.

In the study, Doane and Froeb use patient data from customers covered by Anthem VA and Blue Cross Blue Shield of Tennessee, the largest commercial insurance providers in each state. Under the combined system, the hospitals would control a 77 percent share of the market, they claim. With that level of control, “it would be difficult for a payor to put together a viable provider network in the draw area that did not include the merged hospital,” they claim.

Krusing questioned the COPA documents as giving the systems immunity to antitrust scrutiny, and urged law enforcement officials to review the state agreements and the impacts of the merger.

Wellmont reviewed nearly a dozen proposals for mergers from much larger systems through 2014. With backing from business groups, East Tennessee State University and medical professionals groups, Wellmont and Mountain States announced their intentions to join in April, signing a terms sheet, but saying a lengthy regulatory process was ahead.

Last month, the systems submitted letters of intent to the health departments in Tennessee and Virginia indicating forthcoming applications for regulatory agreements that would place requirements on cost and growth, but would preclude them from scrutiny by federal regulators. Those COPA applications will be submitted soon, and will give a better picture of how the merged system will manage staff, facilities and care in the region should the joining be approved.

Email Nathan Baker at nbaker@johnsoncitypress.com. Follow him on Twitter at @jcpressbaker or on Facebook at facebook.com/jcpressbaker.
Two competing health systems in northeast Tennessee are preparing to file for regulatory approval for a proposed merger — one among many in the industry — that would reshape the health care landscape in their corner of the Southeast.

The deal, born from Wellmont Health System's call for merger offers, is piquing interest.

Wellmont and Mountain States Health Alliance, each a not-for-profit system with a regional footprint, have a non-binding merger agreement to establish a single operation.

Each system is the other's primary competitor. Their headquarters are about 25 miles apart: Wellmont is based in Kingsport and Mountain States is based in Johnson City.

It's an area where the government is the largest payer to hospitals, and the local economy is growing slower than other areas of the state. The area is also battling an opioid epidemic.

A merger is necessary "because of the pressures and changes going on in health care right now," said Bart Hove, president and CEO of Wellmont. Hove would be the CEO of a combined system.

Changes in how people seek care combined with other factors, such as how much reimbursement the health systems in the area receive from Medicare, led each to consider how best to navigate their future.

People are willing to travel farther for specialty care, meaning that the two systems now compete with hospitals in Knoxville; Asheville, N.C.; and sometimes Nashville. The wage index, the framework under which the two receive Medicare reimbursements, is the second-lowest in the country.

The proposed deal brings to the fore questions about whether a larger, local system can better serve patients. Wellmont has six hospitals while Mountain States has 13 hospitals in the region across Tennessee, Kentucky, North Carolina and Virginia.

A study — commissioned by America’s Health Insurance Plans (AHIP), a trade association for the health insurance industry — projected the merger would "significantly reduce competition and raise prices for consumers." The study, performed by Competition Economics LLC, evaluated the proximity of the systems' facilities.

"We ultimately wanted to know what the potential impact to patients could be," said Clare Krusing, spokeswoman for AHIP, on why it commissioned the report, released Nov. 13.

As part of the regulatory approval process, both Wellmont and Mountain States are working on a plan to assure state officials that residents will benefit from a combined health system.

They are applying for a certificate of public advantage, or COPA, from the Tennessee Department of Health to develop a framework under which the two address how to improve quality and access while controlling costs.

The health systems have filed a letter of intent with Tennessee officials and are on track to file the first stage of the COPA application, which will include details on how they plan to control pricing, by the end of November and the second stage by the end of the year.

Tennessee state officials will review the application, while Virginia officials will evaluate the deal through a similar process.

Deals with an out-of-market operator led to a 14-18 percent increase in costs, according to a 2014 study from the University of Alabama and Clemson University.
The local market

The proposed agreement emerged earlier this year after Mountain States responded to a call from Wellmont looking for potential suitors.

Hove said about 20 entities — including the biggest hospital operators based around Nashville — responded. Wellmont preferred to keep the system under local management, even though the dynamics of completing a local merger are cumbersome.

The impact on their market will be under consideration when state officials look at the details. The pair is looking to a deal that brought not-for-profits together as Mission Health in Asheville, N.C., about 20 years ago.

The U.S. Federal Trade Commission on Nov. 6 moved to block the acquisition of one hospital by a nearby competitor in West Virginia on monopoly concerns.

According to the AHIP study, if Mountain States closed, 72 percent of its patients would go to Wellmont. If Wellmont closed, 75 percent of its patients would go to Mountain States.

There are challenges to uniting local competitors in addition to maintaining a competitive marketplace for consumers, such as evaluating staff wages and vendor contracts, said Brian Browder, partner at law firm Waller, which is not involved with the deal. He likened the integration of competing systems and cultures to that of trying to unite rival high schools.

The pair plan to use savings from merged operations to make investments in regional programs, such as research at East Tennessee State University’s James H. Quillen College of Medicine, as well as yearly funding for opioid addiction and recovery programs.

The merger is far from a done deal. There’s no binding agreement, and each is still operating as an individual, competing system.

If the proposed merger is blocked, both Hove and Levine expect their respective health systems to be acquired by a larger company in the coming years.

“We would be looking at doing what other systems have done, which is joining larger systems,” Levine said.

Reach Holly Fletcher at 615-259-8287 or on Twitter @hollyfletcher.

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POLITICAL FOOTBALLS

Lawmakers warn of opposition to health merger, enabling legislation


DAVID MCGEE BRISTOL | HERALD COURIER

BRISTOL, Va. — The proposed merger of two area health systems and the legislation that permits it could become political footballs when the Virginia General Assembly convenes in January.

Delegate Israel O’Quinn, R-Bristol, and state Sen. Bill Carrico, R-Galax, made that prediction Monday during the annual Southwest Virginia chamber forum hosted by the Bristol Chamber of Commerce. About 250 attended the event at the Holiday Inn Hotel and Convention Center.

Wellmont Health System and Mountain States Health Alliance are asking state boards in both Virginia and Tennessee to approve a merger of assets. They operate a combined 19 hospitals, numerous clinics and other health care facilities across Southwest Virginia and Northeast Tennessee and employ more than 14,000.

“I think there are a lot of people in Richmond who have a lot of questions about the proposed merger,” O’Quinn said after the event. “So I think you’ll see several Richmond-based entities coming after that piece. I think its incumbent upon the health systems to explain in Richmond why this would be a good thing for the region and for the people they serve.”

In Virginia, the application goes first to the Southwest Virginia Health Authority board of directors and, if approved, would then go to state Secretary of Health Bill Hazel.

“We haven’t received an application as of yet, but we feel like by the middle of next year we’ll have the applications in hand and be able to vet those, and let the Secretary of Health and everyone else have input on this,” Carrico said, while voicing support for the plan. “I’m optimistic that it can work. I think we’ve got two good health care systems that want to make it work and understand the needs of the region.”

On a broader scope, O’Quinn said some favor repealing the enabling legislation.

“The legislation that would allow those health systems to come together is going to get a full-on, frontal charge from the Virginia Association of Health Plans, from Anthem insurance and a wide variety of people are going to be coming after that. There will be a lot of action in the health care arena in this go-round,” O’Quinn said during the forum.

The process, called a certificate of public need, will apparently become a target of some lawmakers, O’Quinn said.

“There is a big move afoot by some pretty heavy hitters in Richmond to undo the COPN legislation. Certificate of public need legislation has been in place for some time in Virginia and there are two tracks of thought,” O’Quinn said. “One that we repeal it all immediately or over a three- to five-year process, but there is a thought this may not be good for rural Virginia. This is being driven by folks in northern Virginia and I think this won’t be a Republican-Democrat issue but a northern Virginia/eastern Virginia versus rural Virginia issue. Those certainly make for some lively debates.”
Lawmakers also predicted the upcoming session would be challenging because it will include debate of Gov. Terry McAuliffe’s first biennial budget proposal and an effort to expand federal Medicaid coverage.

“I think you’ll see an effort by the governor to try and get his agenda on Medicaid expansion but that’s something we’re going to have to roll back,” Carrico said. “It’s just another tax increase when you start charging a percentage of every person who comes to the hospital to pay for it. Anything you get from the federal government that’s free is not free. You will pay for it one way or the other.”

Both predicted that Medicaid expansion would carry a $1 billion base price tag in addition to $250 million annually after the federal government stops fully funding the program.

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Report: Proposed merger will increase healthcare costs

By Nate Morabito Published: November 16, 2015, 10:15 am Updated: November 16, 2015, 5:34 pm

(WJHL) – A new report commissioned by America’s Health Insurance Plans suggests a Mountain States Health Alliance-Wellmont Health System merger would be “anticompetitive” and “likely lead to significantly higher post-merger prices.”

AHIP calls itself a trade association that “advocates for public policies that expand access to affordable health care coverage to all Americans through a competitive marketplace that fosters choice, quality and innovation.”

Competition Economics, LLC completed the report last month and concluded a merger would give the new organization a 77% market share.

“The observed hospital choices of inpatients residing in Northeastern Tennessee and Southeast Virginia show the merging systems are close substitutes and a merger of the combined systems would give the merged system significant bargaining power that would likely lead to significantly higher post-merger prices,” Michael Doane and Luke Froeb (former Federal Trade Commission Bureau of Economics Director) wrote in the economic analysis.

Mountain States and Wellmont have insisted the proposed merger will reduce healthcare costs. The two are in the process of applying for Certificates of Public Advantage in both Tennessee and Virginia. They say the COPA process will insure the merger is in the public’s best interest.

In a joint news release the two health systems called out America’s Health Insurance Plans as being a culprit of increased healthcare costs.

“We’ve only just received the report paid for by AHIP, a DC-based lobbying group whose efforts and advocacy have led to double digit increases in health insurance premiums for consumers this year,” the statement said. “AHIP appears to have funded a report which is not relevant or useful because it fails to acknowledge state supervised transactions of the type being pursued by Wellmont and Mountain States.

Mountain States and Wellmont are building something new, and we have overwhelming support from the business community, the public and our local elected officials. Our newly formed system will be supervised by Tennessee and Virginia and include enforceable commitments to increase services, protect rural access, improve community health, and reduce the growth in costs.

Along the timeline we’ve communicated previously, we plan to submit documents to the states and to the public in just a few weeks, which will outline the facts of our commitments. At that time, we will fully respond to the study paid for by AHIP, and the public will have the opportunity to reflect on the actual facts.”
MSHA CEO Alan Levine says there is another study that suggests a local merger is a good thing. The report is titled Hospital Systems and Bargaining Power: Evidence from Out-of-Market Acquisitions and was completed in part by an economics researcher at Clemson University.

“If you look at what our alternatives were, our alternatives and Wellmont’s alternative was to join a large out-of-market system,” Levine said. “The studies have shown of more than 400 of those transactions where out-of-market systems acquired systems like ours, prices have gone up 14% to 18%. Ironcally, those are mergers the FTC has approved. If this merger doesn’t happen, pricing actually goes up more than if it doesn’t happen and that’s an enforceable commitment we’re willing to make.”

Just last week, Levine revealed Federal Trade Commission attorneys have had conversations with MSHA attorneys. However, at this point there has been no formal action on the part of the FTC.

FTC spokesperson Betsy Lordan says generally the agency likes to see competition.

“When health care markets are competitive, consumers benefit from lower costs, better care and more innovation,” Lordan said. “To that end, the Federal Trade Commission has enforced and will continue to enforce the antitrust laws in health care markets to prevent anticompetitive conduct that would deprive consumers of the benefits of competition.”

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Former health care insider speaks about insurance ills

Wendell Potter’s decades of work inside two of the nation’s largest health insurance companies gave him rare insight into the workings of the health care system.

Then, a jarring experience turned him from advocating for the companies to working against them.

Potter, who was employed as health insurance company CIGNA’s vice president of communications, left the high-paying job behind in 2008 after having a “crisis of conscience” upon seeing poor and under-insured people waiting in the rain at a Remote Area Medical clinic for medical attention.

Born in Banner Elk, North Carolina, and raised in Mountain City, Potter said the experience put him “face-to-face with the consequences of our broken health care system.”

“It shook me to the core to see that,” he said, speaking to a group of 17 gathered in the basement of Elizabethton’s First Presbyterian Church. “I realized I could have been in one of those lines if my circumstances had been different.”

After having the epiphany, he set out to challenge and change the country’s health care system, from one run by for-profit insurance companies focused on the investors’ interests to one in which all citizens have access to quality health care. He quit his job and testified before a Senate committee in 2009 regarding the ills of the HMO system.

He’s written a book about the corporate climate in health insurance. A second book, detailing the effects of lobbying groups on democracy, is set to debut later this year.

“He’s written a book about the corporate climate in health insurance. A second book, detailing the effects of lobbying groups on democracy, is set to debut later this year.

“Even with the reforms that we’ve gained, we’re all still vulnerable,” he said. “Nobody in this country can have peace of mind when it comes to health care.”

Potter was invited to the Elizabethton church, and an appearance later Thursday at Kingsport’s Waverly Presbyterian Church, by grassroots groups supporting Gov. Bill Haslam’s Insure Tennessee proposal to expand Medicaid coverage to more than 250,000 residents. The proposal, after months of negotiating between the governor’s office and the federal Health Department for a more conservative approach than the standard expansion enacted in other states, was killed early in the state General Assembly’s session without making it to the full floor for a vote.

He said part of his job before 2008 was to convince the public socialized health care systems, particularly Canada’s “was the worst in the world,” but he’s since “spent a lot of time in Canada, and they love it.”

“We were able to influence public opinion in ways people aren’t aware of,” he said, speaking of his days in public relations. “You can see it in Tennessee, for instance, where so many people oppose expanding Medicaid, when it actually would be in their best interests.”
Potter said the ultimate goal for the country should be a single-payer system, in which the government pays for all citizens’ health care costs. The Affordable Care Act passed in 2010, was a first phase in overhauling the health care system, he said.

That health care law, and the state’s refusal of federal dollars to expand its Medicaid program, has pushed hospitals and hospital systems to merge, providing more administrative efficiencies and more bargaining power to leverage better rates from health insurance companies, he said, a phenomenon seen locally.

As Mountain States Health Alliance, based in Johnson City, and Wellmont Health System, based in Kingsport, prepare to merge, residents can expect to pay more to insurance companies, as the new system uses its power as a “must-have” system, Potter said.

“Hospitals need to do what they can to reduce costs, which means some people will lose their jobs as you get administrative efficiencies,” he said. “It will be a challenge keeping insurance rates lower, because so many Tennessee hospitals have been making due with less money because of the reductions from the Affordable Care Act and the state’s refusal to expand Medicaid coverage.”
Unknown advertiser fighting MSHA-Wellmont merger with mobile ads, website

By Nate Morabito

Published: November 20, 2015, 8:53 pm

JOHNSON CITY, TN (WJHL) – An unknown advertiser is fighting the proposed Mountain States Health Alliance-Wellmont Health System merger, both in a mobile ad and on a website.

We found an ad on the Johnson City Press' mobile site which said the merger “means less choice, higher costs.”

The ad brings visitors to an anti-merger website created back in July called Tri-Cities for Affordable Healthcare.

It’s described as a “coalition of consumers, businesses, families and community members in both Tennessee and Virginia who are concerned that the consolidation of hospitals and other medical providers is driving health care costs higher.”

A Mountain States Health Alliance spokesperson said the health system first noticed the website a few months ago, but does not know who is paying for it.

In a statement, Mountain State said in part that Mountain States and Wellmont have maintained this merger will drive down healthcare costs.

The following is a joint statement from MSHA and Wellmont officials:

Since we announced our intent to pursue a merger, Mountain States Health Alliance and Wellmont Health System have engaged in an active and open public discussion through our community health work groups and other venues. We’ve been energized by the enthusiasm we’ve seen from the community, and we're committed to building on those collaborative conversations as we create a new approach to health care in our region that ensures affordability, accessibility and high quality.

We are aware of the anonymous site, but given we do not know who is paying for it or who it represents, our only comment is to say that it ignores the market protections and public benefits that are possible under a Certificate of Public Advantage in Tennessee and a cooperative agreement in Virginia, both of which we are pursuing.”

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The region’s two major health systems announced during an April 2 press conference their plans to merge. The merger of Mountain States Health Alliance and Wellmont Health System, which envisions a major role for East Tennessee State University, was agreed in principle with the signing of a term sheet between the two systems’ leaders. They said they hoped for regulatory approval by the state of Tennessee and Commonwealth of Virginia by the end of 2015 for an arrangement that, while it would essentially eliminate competition in the regional market, would benefit patients and payers.

During its search, Wellmont had discussions with a number of suitors from outside the region. It was one of those suitors, said Wellmont board chairman Roger Leonard, who helped move the needle toward a local option.

“One of the CEOs pulled me aside and said, ‘as much as we would like to merge with you, you have 20 percent overutilization in your market ... you’re really going to have to address that inside the market. We can’t come in from the outside and address that.’

“Through these savings that are going to be generated,” Leonard added, “we’ll be able to reinvest resources into new programs, into new services that we’re not addressing right now.”

Mountain States chair Barbara Allen said the new system — the name of which has not been announced — will be, “among the best health systems in the nation.” In addition, Allen said, rather than proving a detriment to consumers and patients, the elimination of competition will help unleash better quality and allow for more favorable cost structures.

“We will be known as a high-value system, committed to not only decreasing the growth in cost of health care, but in becoming a system that consistently performs as one of America’s most highly reliable, high quality health care systems,” she added.

Proposed to lead that system at the highest management level are Mountain States CEO Alan Levine as executive chairman and president; Wellmont interim CEO Bart Hove as CEO; Mountain States Chief Operating Officer Marvin Eichorn as COO; and Wellmont Chief Financial Officer Alice Pope as CPO. ETSU President Dr. Brian Noland would serve as an ex officio member of the new board, which would include six representatives selected by each of the two current boards, and two additional at-large community members.

An “integration council” that includes significant physician representation will work toward a “definitive agreement” of merger. ETSU will lead a health assessment this summer and fall that will help define the system’s goals and structure. Levine said “getting ahead of” the region’s manifold health problems at the community level will be a major strategy as health care reform continues to shift payment models in a way that discourages overreliance on hospitalization.

Levine said the goal is to create something, “that is designed to meet the triple aim that’s been adopted nationally, of improving the health of the population, secondly, improving individual outcomes for our patients, and third, reducing the overall cost of care for the employers and the community.”

In the end, the proposal will go to the states, with the systems seeking two “Certificates of Public Advantage” (COPA) based on the states’ determination that the benefits of the plan outweigh disadvantages presented by lack of competition. The COPAs would be regulated for compliance, and would also prevent federal anti-trust action unless either state were to decide the arrangement wasn’t delivering on its goals.

Update: In the November issue, Wellmont CEO Bart Hove told The Journal the original state approval goal of “the end of 2015 would not be met. “We still intend to file the COPA applications in the fall, which I guess gets us up until mid-December or so,” Hove said. “We’re working; our joint board task for integration council’s working on by-laws for the new system, policies about how we would operate in general, reviewing the consultancy reports, some of that information has to be put into the COPA application so that COPA application will be put out for public view and so we look forward to the input that the public would have as we get ready to file that application in the fall...There is a clock once the application is complete and it’s 120 days in Tennessee and 150 days in Virginia...So sometime after we file I’m sure we’ll get a request for more information before the clock starts running.”
TOP 10 STORIES - BVU scandal, Boone Dam repairs topped region's headlines

David McGee, dmcgee@bristolnews.com, January 7, 2016

What do you think is the top story of 2015 for the Mountain Empire? Take the poll at HeraldCourier.com.

From white-collar crime to a mass murder and the proposed merger of two major employers to plant closings and the wide-ranging effects of a diminished Tennessee Valley Authority dam, 2015 in the Mountain Empire offered no shortage of news.

From headline-grabbing breaking news to the ongoing drumbeat of a federal investigation and a corporate bankruptcy, these are the stories a panel of Bristol Herald Courier editors determined were the most impactful during the past year.

1. BVU: An “epidemic of corruption”

Three former top BVU Authority executives, a former board chairman and two major contractors pleaded guilty to an array of criminal charges in at least four separate criminal enterprises as a result of an ongoing federal corruption investigation.

At one point during the series of hearings and guilty pleas, U.S. District Judge James P. Jones said there appears to be an “epidemic of corruption” at the utilities provider.

Former longtime CEO Wes Rosenbalm, former Vice Presidents Robert James Kelley Jr. and David Copeland all pleaded guilty in U.S. District Court in Abingdon to various charges for failure to report income and benefits to the IRS. Paul Hurley, a former authority board chairman and former city mayor, pleaded guilty to selling free NASCAR race tickets and then lying about it to a grand jury.

And former contractors James Todd Edwards, of South Carolina, and Michael Clark, of Georgia, pleaded guilty to their roles in separate kickback schemes. All except Hurley have begun serving sentences ranging from 12-33 months in prison.

Still pending, current BVU Chief Financial Officer Stacey Pomrenke pleaded not guilty in October to 15 criminal counts, including conspiracy to commit tax fraud, extortion and wire fraud. Her trial is now scheduled to begin in February and she could face up to 20 years in prison if convicted on all counts.

Assistant U.S. Attorney Zachary Lee says the investigation remains open, but he declined to say if additional indictments might be forthcoming.

2. Boone Dam repairs

Property and business owners along the shoreline of Boone Lake were the most impacted this year by a TVA decision to drop water levels and begin significant repairs at Boone Dam, which is near Tri-Cities Regional Airport.
After months of investigation, TVA officials determined that repairing water seepage occurring around the earthen embankment of the dam will include placing a composite wall under the embankment and injecting a mixture of rock, cement and water. The repair still has to be approved by TVA’s board of directors.

Lake levels were lowered to winter pool in October 2014 to determine the cause of the sediment seepage and water levels remained low throughout the year, greatly reducing recreational use of the lake.

In July, TVA officials announced the lake likely won’t be raised until at least 2020 because repairs are slated to take five to seven years to complete and cost $200 million to $300 million.

The dam holds back about 24 billion gallons of water and could fail without repairs, endangering thousands of residents and businesses downstream, TVA officials said.

3. Alpha Natural Resources decline, bankruptcy

The nation’s second largest coal producer and one of this region’s largest employers, continued a sharp decline in 2015. Based in Bristol, Virginia, Alpha filed for Chapter 11 bankruptcy protection in August after its stock was delisted from the New York Stock Exchange for continually trading below $1.

The company reported losing more than $150 million in 2015 with long-term debts of $4.1 billion and total obligations of $7 billion, according to documents filed in U.S. Bankruptcy Court in Richmond. The company’s revenues for 2014 were about $3.5 billion, or roughly half of the $7 billion generated in 2011, when its stock price reached $45 per share.

Alpha purchased Massey Energy Co. for about $7 billion in 2011. And while that deal made it the largest U.S. producer of metallurgical coal, it was accompanied by tremendous debt.

Since then, Alpha has been hard-hit by declines in coal prices, waning national and international market interest as more utilities rely on natural gas to generate electricity and more stringent federal regulations.

Alpha officials say the bankruptcy filing will allow them to streamline and restructure the company to again become viable.

4. Wellmont, MSHA initiate merger plan

Regional health care giants and longtime rivals Wellmont Health System and Mountain States Health Alliance are attempting to merge operations and assets in Tennessee and Virginia.

The two hospital systems mutually announced their plans in April, following more than a year’s worth of rumor and speculation. The two systems operate a combined 19 hospitals, numerous clinics and health care centers and employ about 14,000 people.

State agencies in both Virginia and Tennessee must approve the process and grant a certificate of public advantage in Tennessee and a cooperative agreement in Virginia. In Tennessee, the application would be submitted to the Division of Health Service Regulation and the attorney general. In Virginia, the plan would go first to the Southwest Virginia Health Authority board. If approved there, it would be reviewed by the state attorney general and the state health commission.
The Federal Trade Commission could ultimately also review the process, since it would eliminate competition from the marketplace.

Originally forecast to be complete by the end of 2015, the application review process is now expected to occur in 2016.

5. Three killed in Sullivan home

A late August tragedy stands as the deadliest shooting incident in modern Sullivan County history.

Nineteen-year-old Robert Seth Denton, of Bristol, Tennessee, is charged with killing his mother, grandmother and step-father inside the family home just east of the city.

Sullivan County Sheriff Wayne Anderson said investigators believe Denton entered the back door of the home and gunned down the three adults without warning. Six young children were also present and one was injured.

Toshya Millhorn, 39, and Lena Rose, 57, died at the scene. James Millhorn, 36, was flown to Johnson City Medical Center, where he later died.

Denton is awaiting trial, charged with three counts of first-degree murder, aggravated assault and felony reckless endangerment.

The incident marked this year’s initial homicides in Sullivan County and equaled the total of all county murders between 2012 and 2014.

6. Winter storms, flooding ravage Southwest Virginia

A series of late February winter storms dropped significant snowfall across much of Southwest Virginia and subsequent flooding claimed one life, wreaked havoc on roads, bridges and homes across the region, when governors in Tennessee and Virginia declared states of emergencies.

Randy O’Quinn, 60, of Haysi, Virginia, was killed while attempting to drive through flood waters on a Buchanan County road. He was swept away with the car into the swollen Russell Fork River, according to the Virginia State Police.

Heavy snows collapsed the roof of the Wise County food bank and several businesses around Coeburn, clogged roads and stranded motorists, as many areas received more than 2 feet of snow.

The National Guard was deployed across much of Virginia in the days that followed as soldiers assisted local law enforcement and emergency response by delivering food, water, medicine and other supplies, evacuating residents for safety and medical assistance and removing snow.

March brought warmer temperatures, but the melting snow combined with heavy rains to cause widespread flooding from Lee County to Tazewell County, wash out bridges and cause rockslides and mudslides.

Dozens of roads were blocked due to high water and many again had to be evacuated from their homes. Many residents took refuge in temporary shelters set up in schools.

7. The Pinnacle, The Falls develop at different pace
The Pinnacle and The Falls, the Twin City’s two major commercial developments, celebrated decidedly different milestones during 2015.

Dozens of new businesses opened this year in The Pinnacle in Bristol Tennessee, including anchor department store Belk, a 12-screen movie theater complex, national retailers Dick’s Sporting Goods and restaurants including Zaxby’s and Chic-fil-A, which joined original anchor Bass Pro Shops.

Sales generated by the center propelled Bristol to the top of regional retail sales growth during the second half of 2015.

A Car Max auto dealership, Steak and Shake restaurant and about 20 additional retail stores are currently under construction and slated to open next year.

Some five miles away, Bristol, Virginia finally cut the ribbon in late fall on initial tenants Cabela’s and Lowe’s stores that anchor The Falls center near Interstate 81’s Exit 5. Joy over the Cabela’s opening quickly became muted, however, when the Nebraska-owned firm announced it was considering a range of financial options, amid widespread speculation that rival Bass Pro Shops might purchase the chain.

Work is presently underway on two other businesses while two others haven’t begun. No additional tenants have been announced but an announcement is expected early next year.

8. Creeper Trail controversy

A local grocer’s plan to erect a major shopping complex near the Virginia Creeper Trail meshed with the town of Abingdon’s desire to establish a youth sports complex to spark a months-long controversy.

Abingdon-based K-VA-T Foods, the parent company of Food City, announced in October it planned to erect a 60,000-square-foot grocery store as part of a commercial center on a 33-acre site off Green Springs Road. The site is near the popular hiking and biking trail and The Meadows historic site.

Establishing the business required Town Council to rezone the land from agricultural to commercial and residents packed a series of meetings. A citizens group called Friends of Abingdon opposed the project, organized protests and prompted town leaders to delay the final vote until December.

The request was approved unanimously earlier this month and two weeks later town officials released a statement saying Food City plans to give the town $2.28 million so it can purchase an adjoining 40 acres from landowner CEMA Corporation for its proposed sports complex.

A public hearing and council vote to approve accepting the money and the purchase agreement is scheduled for 8 a.m. Monday.

9. Hotel plans, breweries in downtown Bristol

Downtown Bristol could soon have two $20 million boutique hotels and related businesses operating within its borders, residents learned this year. And during 2015, two craft breweries began operating in two historic buildings.

Marcus McCall, a Georgia developer who grew up in Southwest Virginia, announced plans this year to convert the former Executive Plaza into the Hotel Bristol. The seven-story landmark building is expected to include 65 rooms and suites, an on-site restaurant and bar, rooftop cocktail lounge and swimming pool, a deluxe spa, fitness center, retail shops on the ground floor, banquet and meeting space.
Construction is expected to begin in January, with an opening expected in 2017.

Meanwhile, Creative Boutique Hotels is proceeding with its plans to establish the 70-room Sessions Hotel by adapting three vacant downtown buildings in and adjacent to the 800 block of State Street. Plans include two restaurants, a rooftop bar, music venue, full service spa and other amenities.

The Sessions project received a boost in October when Bristol Virginia City Council approved changes to the project’s incentive package designed to unlock a $1.7 million state tourism grant and provide enough money to make the $20.6 million project a reality. It is also expected to open in 2017.

Bristol became an overnight craft beer destination with the opening of Bristol Brewery in the former Piedmont Avenue bus station and Studio Brew in the former Bristol Fire Museum.

10. Ball, Sandvik to close local plants, idle 300

Two longstanding Twin City employers announced plans this summer to shutter local manufacturing facilities and idle a combined 300 workers.

In June, Colorado-based Sandvik Manufacturing announced it would close its facility in the Bristol-Washington County Industrial Park and shift the work to Mexico. Closure is expected by the third quarter of 2016 with more than 70 employees affected. The company manufactures a range of heavy equipment and its sales of mining-related products has fallen sharply in recent years, company officials said.

Sandvik purchased the Bristol plant in 1987 and has operated it continuously since that time.

About a month later, Ball Corporation officials announced plans to close its Bristol Virginia plant, affecting about 230 employees.

The plant manufactures ends for beverage cans and opened in 1971. Its production will be shifted to other U.S. facilities, company officials said at that time. Closure is expected by May 2016.

A company spokesman called the closure an “economic decision” in a highly competitive industry with an evolving customer base.

City officials said they received no warning and were unable to impact the decision.

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Top local stories of 2015

Johnson City Press, 12:00 a.m. EST December 27, 2015

As health care continued to be a major concern for consumers and politicians across the U.S. in 2015, it also held first place among the biggest local stories of the year. While the year saw headlines about a local bombing, dam troubles, job losses, a shootout, new businesses and downtown developments, no story caught Northeast Tennessee’s attention more than the proposed merger of the region’s two health care systems.

Here are the top local stories of 2015 as compiled by Johnson City Press editors and news staff:

**MSHA/Wellmont Merger**

The year was dominated by merger mania, as the leaders of the region's largest and third-largest employers, and the organizations providing health care for nearly all residents, Mountain States Health Alliance and Wellmont Health System, announced their intentions to join.

After Wellmont's board of directors debated and interviewed potential partners all through 2014, in April of 2015, both hospital systems' CEOs and board chairs sat down to sign a terms sheet to officially set the merger process into motion.

During the latter half of the year, the systems created several joint working groups to map out the merger, from how the facilities and staff will be managed to how the consolidated system will tackle the region's health problems. East Tennessee State University will be a partner in the process, from public health and research perspectives, as well as by training the physicians who will work in residence at the new system’s facilities.

But the merger must first be approved by state regulators, by receiving a certificate of public advantage, or COPA, from both Tennessee and Virginia. A joint task force will submit applications for COPAs, laying out the expected functions and resource management plans for the joined system and setting limits on the new organization’s growth to offset the anticompetitive merger. Those applications have been expected for the past month, and could be filed at any time.

If the merger is approved by the states, the joined system will employ 15,000, more than Eastman Chemical Company, and will produce $1.8 billion in revenues with 20 hospitals, though the figures could change as redundancy is eliminated across the system.

**CSX Shutdown**

ERWIN — On Oct. 15, CSX Transportation Inc. rocked Northeast Tennessee with its sudden and immediate closing of the century-old railroad terminal, switching yard and car and engine shops in Erwin.

The shutdown put nearly 300 local railroad workers and unknown number of contract employees out of work and spurred the creation of a community task force whose members began formulating plans to address the closing’s economic impact on the region the following day.
Within a week of the CSX announcement, the Northeast Tennessee Alliance for Business and Training had conducted a needs survey that included about 150 of the furloughed railroad workers and set up a temporary resource center at East Tennessee State University’s Community Outreach offices in Erwin to help them find jobs, begin the process of retraining for employment and access other available resources.

Since the closure an unreported number of the displaced railroad workers have taken CSX jobs in other locations. Northeast State Technical Community College has initiated a one-year chemistry course to begin in January to help the workers qualify for job openings anticipated with a wave of retirements at Nuclear Fuel Services in Erwin. And the task force has continued work on a number of fronts related to the economic fallout of the shutdown, including ongoing communications with CSX.

Actions being pursued by the task force include the establishment of a permanent ABA resource center in Erwin, community requests for a transfer of some portion of CSX rail yard and 100-year-old terminal building for development of new industry and commercial sites, and a return the Old No. 1 steam engine for passenger train excursions along the former Clinchfield Railroad lines through the mountains.

Earlier this month, the railway carmen division of the national Transportation Communication Union filed a federal breach of contact claim against CSX seeking approximately $8 million in severance compensation for about 40 carmen previously employed by CSX in Erwin. Additional union claims against the company are expected.

Boone Dam Repairs

The news wasn't good, and it upset many property and business owners on Boone Lake and in the Tri-Cities region. On July 31, officials with the Tennessee Valley Authority announced that it would take in between 5 and 7 years to fix what ails the Boone Reservoir dam and cost as much as $300 million in the process.

Met with scorn from an audience of concerned parties, the officials explained exactly why it had to be that way, that they weren't going to tango with possible safety issues, and fix the eroding earthen dam correctly. TVA engineers have already started testing new kinds of grout that would be used to plug the leaks on the lake floor.

Sealing these holes will begin early in 2016, and in preparation for this, the TVA has installed access point ramps so they can get to the places where they need to work.

Much of the immediate negative feedback revolved around property owners' frustrations that they weren't able to remove their boats before the hard-lined water drop occurred, thus potentially leaving their vessels on dry land for as many as 7 years.

The economic impact of the drawdown is yet to be determined, but the TVA knows that there will certainly be fewer tourism dollars circulating because of it.

Johnson City Bombing

Kingsport businessman Christopher Alexander faces charges of arson and three counts of possession of a pipe bomb in U.S. District Court in Greeneville after a bomb went off at his competitor’s office on Knob
Creek Road around 10 p.m. on July 5. A witness reported seeing the blast and then a green van drive away from the building.

Police stopped the vehicle on State of Franklin Road within minutes of the call and found Alexander driving it. Investigators said there were pipe bomb components in the van, and Alexander was arrested.

Police said a search later that day at Alexander’s home uncovered two additional pipe bombs.

Testimony at a detention hearing earlier this year revealed the victims, Zach and Dave Smith, who own Victory Orthotics, once worked for Alexander and accused him of unethical billing practices before they left to open their own office.

Alexander has been found competent to stand trial by Magistrate Clifton Corker, and is scheduled for trial March 29. If convicted, he faces up to 20 years in federal prison. He remains in federal custody while the case is pending.

**Model Mill Controversy**

Long considered an eyesore or a white elephant in downtown Johnson City, the former Model Mill property at West Walnut and Sevier streets continued to be a thorn in Johnson City’s side throughout 2015. Owned by the local Chamber of Commerce, the former flour mill fell into a state of disrepair and became a favorite target for graffiti artists.

The Chamber originally bought the aging property on West Walnut Street for $400,000 in 2008, intending to make the former flour mill the business organization’s new headquarters. After realizing the financial investment needed to rehabilitate the property, the Chamber board decided to put the mill on the market and search for another, more suitable location.

In 2013, North Carolina-based firm Evolve Development entered into a contract with the Chamber to buy the mill, raze it and build multi-family apartment buildings, but after a long city approval process and an even longer legal battle with residents of the nearby Tree Streets Neighborhood, the company backed out and dissolved its agreement in April.

After six months of silence on the search for a new developer, Chamber CEO Gary Mabrey confirmed Dec. 16 that the Chamber was in negotiations with developer Joe Baker, who successfully transformed downtown Johnson City’s two nearby railroad depots into commercial spaces, to transform the mill.

The cost to redesign and repurpose the 1909 processing facility would be immense.

Baker told the Press he had commissioned estimates, but only said it would be “many millions of dollars.” To make the project viable, and return the vacant building to usefulness, he said a close public-private partnership is needed.

“We have conversations ongoing with (East Tennessee State University), the city and the Economic Development Council, the Chamber and other potential businesses and partners who are either already in the county or are looking to expand into it,” Baker said, before noting that all talks at this stage are preliminary, and that “it would be unfair to give the impression that folks are lining up to commit to this project and jump on board.”

**Downtown Development**
Building on the momentum from flood mitigation projects in recent years, downtown Johnson City’s major revitalization continued in 2015 with both public and private projects that improved infrastructure and brought new life to several historic buildings.

Early this month, the city Public Works Department began transforming the former Kelly’s Foods site into what is being called The Founders Park Extension. A demolition crew has removed old concrete at the site, and grading will follow to create about 40 new parking spaces for Founders Park. Seawalls also will be built along Brush Creek to help water flow. The city also will build a new crosswalk on Sevier between the new space and Founders Park, as well as a plaza and a 200-foot-long walkway that leads from the plaza and runs between Brush Creek and State of Franklin toward Church Brothers Family Fun Store.

When demolition was completed at the Kelly’s Foods site, city workers moved to a downtown location presently known only as the U-Haul basin, a 4-acre parcel on which a basin will be built to hold flood water. Besides a large basin, the park will feature walking trails, shade trees and green lawns. The park will have a theme — either the environment, pollinators or children’s books — to tie together a handful of stations along the trail.

When the project is done, about 60 parking spaces will be available and all utilities will be put underground. Besides a large basin, the park will feature walking trails, shade trees and green lawns. The first step is removing existing concrete and clearing out culverts underneath. Following that, people will start to notice the contours of the park taking shape as grading work begins.

The Pavilion at Founders Park also was finally wrapped up in mid-December, giving a permanent home to the Johnson City Farmers Market, a venue for other events and more than 100 parking spaces where they’re at a premium.

The $2 million endeavor by the Johnson City Development Authority and City of Johnson City will officially open in January. Like the two venues in the neighboring Founders Park, the Johnson City Public Works Department will maintain the pavilion and the JCDA will manage bookings through the forthcoming Downtown Johnson City website. Funding for the project came mostly from tax increment financing, with $350,000 from the city’s general fund for parking and streetscaping.

The city also completed major downtown street and intersection renovations.

Roan, Boone, Commerce and Main streets were renovated and include wider, more pedestrian-friendly sidewalks, as well as “bulb outs” — the areas at intersections where foot and bicycle traffic prepare their movements across new red brick crosswalks. Visitors also gained 30 to 40 new parking spaces along Commerce, West Market and Main streets making a major push on projects that tie the pavilion and the coming U-Haul Basin together. Repaving and installation of red brick paver crosswalks followed behind construction of the new parking spaces and bulb outs, while the remainder of Commerce Street will be paved from Market to Wilson Avenue.

**Downtown Business**

Private developers capitalized on the momentum by pumping money into some of downtown’s oldest buildings for both residential and retail spaces.
Having already renovated the old Clinchfield Depot at State of Franklin Road and Buffalo Street where Tupelo Honey now resides, developer Joe Baker turned his attentions to the other side of the tracks by remodeling the former ET&WNC depot to house Yee-Haw Brewery and White Duck Taco Company. The brewery and restaurant opened in early August.

Baker also recently received approval for $495,000 in tax increment financing to help defray the costs of renovating an old hotel at 126 Buffalo St. and the former Faircloth Chevrolet dealership at 71 Wilson Ave. in the same area as the ET&WNC depot and Founders Park.

Baker bought the buildings and began renovations earlier this year, intending to put a retail outdoors equipment store in the ground floor and commercial offices above in the Buffalo Street property and a regional restaurant and music venue in the dealership overlooking Founders Park.

Several other new businesses were opening in the downtown area, including Trek Bicycles in the old Farmers Exchange Building on West Market Street, Overmountain Outdoors on West Market, Main Street Cakery on West Main, Fizz Soda Bar on East Main Street, Downtown Pet Depot at Main and South Roan streets, Studios & Faces by Ren, a team-up of a photographer and a makeup artist, on South Roan.

Renovations also were underway at the old Bee Hive/Parks Belk complex between East Main and East Market and the former Tennessee National Bank/Jones Vance Drug Store Building on East Main, where a combination of retail and residential spaces were planned.

On the brink of condemnation proceedings, the dilapidated Betty Gay building on East Main got a stay of execution when developer Gary Baker, Joe Baker’s father, snapped up the building in April with unspecified plans for renovation. The zoning covering the downtown district would allow for commercial development on the ground floor of the building and residential units above.

Downtown also got a boost when a major employer, Allied Dispatch Solutions, announced in October that it was relocating its headquarters to the old Kress Building on East Main Street while expanding its call center in the Borla Business Park in the Carter County portion of Johnson City.

“Confidence is building and people are interested in starting business downtown again,” Dianna Cantler, downtown director for the Washington County Economic Development Council told the Press. “This is such an exciting time to be in downtown Johnson City.”

**Stoney Creek Shootout**

ELIZABETHTON — Kelly Lee Pitts, 36, 433 Dry Hollow Road was charged with seven counts of attempted first-degree murder following a shoot out with Carter County deputies that began around 9:30 p.m.on Dec. 16 at his residence. Deputy Jenna Markland was shot in the face, but was released from the Johnson City Medical Center a day after the shooting. Pitts is also accused of shooting a neighbor, Brandy Hyder, in the hand during the shoot out.

Sheriff Dexter Lunceford and three of his deputies responded to a complaint about an intoxicated man brandishing a gun. Lunceford said there was no warning before the first shots were fired. The officers took cover behind their vehicles before retreating to a drainage ditch on the other side of the road from Pitts’ residence.
The deputies returned fire and later found Pitts hiding in a rock formation across a pasture from his home. He appeared in Sessions Court, where Sessions Court Judge Keith Bowers Jr. ordered Pitts to undergo a psychiatric evaluation before a preliminary hearing is held.

Denise Brown Out

ERWIN — After 12 years as Unicoi County Director of Schools, including one year as the state Superintendent of the Year, Denise Brown’s 30-year tenure with the school system ended in March with the school board’s vote to grant her request for a contract buyout.

In January, the six-member Board of Education deadlocked in 3-3 vote — one vote short of the majority needed — to renew Brown’s contract for the 2015-2016 school. The following month the board met in a special session to discuss the process of recruiting and hiring a new director.

Immediately following that meeting, Brown sent a letter to the board members asking they buy out the remainder of her contract, which was set to expire on June 30. And on March 14, the board granted her request and appointed Tommy Clouse, the then supervisor of attendance and transportation for the school system, to serve as interim director until the director’s search was completed.

The application period ended in March with a field of nine candidates seeking the position and on May 15, the board concluded the two-month search process with a vote to hire John English, then head basketball coach at the county high school and director of the school system’s federal programs, as the new director of schools.

Boones Creek Corridor

A joint meeting of the Johnson City and Washington County Regional Planning commissions in October resulted in two distinct objectives regarding the future of the Boones Creek Corridor: Do not devalue existing property values, and make sure plans are on the books before the requests to rezone and build start pouring in.

While the road is owned by the state (Tenn. Highway 354), Washington County owns adjacent right-of-way from the train trestle to The Ridges, while Johnson City owns the right-of-way from that point to Bugaboo Springs Road.

The land is more or less split where Knob Creek Road joins in from the municipal limits. Agricultural land still surrounds most of the area, but high-density residential development is forcing its way in and business and commercial offers are knocking on the door.

The Youngdale Farm property on Boones Creek once was a preferred site for a new kindergarten through eighth-grade school. However, a failed property tax increase caused the county to miss its option on the land, which has since been purchased.

Gray Interchange Completed

Jonesborough native and former District 6 state Rep. Dale Ford’s demeanor was as sociable and precocious as ever on an early October morning when Exit 13 off Interstate 26 in Gray was named in his honor.
About 150 attendees gathered on a grassy lot to herald completion of the $13.3 million construction project and its new designation: “The Honorable Dale Ford Interchange.”

Ford was instrumental in bending the ears of state officials about the need for the project, as well as working with Tennessee Department of Transportation higher-ups and Washington County leaders to make the interchange a reality.

Ford worked closely with former Tennessee Gov. Phil Bredesen to secure funding for improvements in his district. He also worked tirelessly on water and road issues that were greatly needed.

He maintained that the interchange was no longer adequate due to the growth of population in Gray, Sulphur Springs and the surrounding area, which resulted in increased traffic and was evident by the excessive congestion at multiple times on a daily basis.

**Food City Mega Store**

Abingdon-based K-VA-T Food Stores opened its largest Food City to date in Johnson City in October, replacing a smaller store at State of Franklin Road and West Market Street about a mile from the new location.

Perched on North State of Franklin at Sunset Drive, the 62,000 square-foot store offers more than its predecessor, including a “growler” station and a community loft to house special events. The sixth store in Washington County, Food City President Steve Smith said that the store created more than 100 jobs for the community.

Food City, like most other grocers in the state, is eagerly awaiting a new law allowing wine to be sold in food stores to kick in, set for July 2016.
With fall target missed, health systems aim to file merger docs in new year

Nathan Baker, nbaker@johnsoncitypress.com, 4:55 p.m. EST December 29, 2015

Though delayed past the original fall target, the region’s two health care systems are still working to complete applications needed for the states’ approval of their proposed merger.

In a statement issued jointly Monday, Mountain States Health Alliance spokesperson Teresa Hicks said the Johnson City-based hospital group and Kingsport’s Wellmont Health System were putting the finishing touches on a definitive agreement and the documents that will be submitted to regulators in Tennessee and Virginia seeking approval for the merger.

“We are making great progress in the process to bring our two organizations together, and we expect this strong momentum to continue into 2016,” she wrote. “After the first of the year, we expect to announce reaching several significant milestones: the signing of a definitive agreement, filing a public report that captures important commitments to positively impact health care in the region as a proposed combined system and filing applications for a Certificate of Public Advantage (COPA) in Tennessee and a cooperative agreement in Virginia. We are excited about the future of health care in our region and look forward to sharing more in the new year.”

The documents, once filed with the states, will give the public a glimpse at the intended operations of the merged system, specifically, how the existing medical facilities will be used and what controls will be placed on the system to keep costs for services from growing disproportionately.

Hicks said a pre-submission document will be released to the public before the applications, which should include some information about the merger.

Because the proposed system will have little competition locally, the COPA and cooperative agreement are needed to ensure proper antitrust controls are in place and to satisfy federal regulators.

In the summer, Wellmont CEO Bart Hove said the applications should be filed in the fall.

The systems filed letters of intent in September, telling the states they would be filing COPA and cooperative agreement applications at a later date. After the September filing of the letters of intent, the earliest the systems could have filed the applications was in November.
JOHNSON CITY, TN (WJHL) Despite some delays, the merger of Mountain States Health Alliance and Wellmont Health System is still on track to become official sometime in the fall of 2016, according to the two hospital systems.

MSHA’s CEO previously said the plan was to file merger pre-submission reports in November and certificates of public advantage in December. The health systems have pushed those filings back until early next year.

“We are making great progress in the process to bring our two organizations together, and we expect this strong momentum to continue into 2016,” the health systems said in a joint statement. “After the first of the year, we expect to announce reaching several significant milestones: the signing of a definitive agreement, filing a public report that captures important commitments to positively impact health care in the region as a proposed combined system, and filing applications for a Certificate of Public Advantage (COPA) in Tennessee and a cooperative agreement in Virginia. We are excited about the future of health care in our region and look forward to sharing more in the new year.”

East Tennessee State University is also looking forward to the partnership. The university plays a keep role in the proposed merger. Despite the delays and possible Federal Trade Commission challenges, ETSU President Dr. Brian Noland says he is hopeful.

“I think all of us would like to see closure brought to this by 2016, closure brought to the merger,” he said.
ETSU’s president will be on the combined health systems’ new board. Once the merger becomes official the university will conduct a health assessment of the area’s needs and then work with the new system to find ways to address those needs. The merger is also expected to help with recruitment and increase the number of resident slots for medical students at ETSU.
State officials reviewing comments on merger rules

Johnson City News and Neighbor, Jeff Keeling, December 30, 2015

As Mountain States Health Alliance and Wellmont Health System work toward applying jointly for a “Certificate of Public Advantage” (COPA) that would allow them to merge, possible changes in the rules governing any such merger draw nearer.

With their initial goal for filing a merger application two months past, Mountain States and Wellmont now say they expect to file “in early 2016.” The systems filed a letter of intent with the Tennessee Department of Health Sept. 16, saying then they expected to officially apply for a COPA in early November. Similar language was in a letter the same date applying for a “cooperative agreement” in Virginia. A COPA is intended to regulate mergers such that any disadvantages to consumers associated with reduced competition are outweighed by advantages that wouldn’t be possible without a merger. Both systems got plenty to think about within a couple weeks of the systems’ filing of letters of intent Sept. 16.

Several interested parties – including the Federal Trade Commission (FTC), Highlands Physicians Inc. (HPI, one of the region’s largest independent physician groups), and insurance company representatives – had submitted comments in writing, and personally at a Sept. 25 rulemaking hearing in Nashville. Those comments related to the final rules that will govern the COPA in Tennessee, should one be granted. Written comments in their entirety, and video from the hearing, can be viewed at [tn.gov/health/article/certificate-of-public-advantage](http://tn.gov/health/article/certificate-of-public-advantage).

Malaka Watson, assistant general counsel with the Department of Health’s Office of General Counsel, authored the emergency rules (which expire Jan. 10) and moderated the hearing, which included additional department representatives.

Brant Kelch, the CEO of Highland Physicians Inc. (HPI), told the panel the 1,500-member independent physicians association’s membership has “a diversity of opinions” about the proposed merger. HPI operates throughout the Wellmont-MSHA service area.

“The opinions range from ‘oh my God, the sky is falling’ to ‘this is really going to be good,’” Kelch said. “Probably most of the people are in the middle, and are concerned, and think that typically monopolies are not good unless you are one, but do believe that this could be a good one for the community and will be a good one if it’s done right.

“We know you’re committed to making sure this is not only done right initially but to continuing to monitor it and we totally support that.” Kelch said.

HPI’s written comments ([HPI-COPA_Written_Comments](http://HPI-COPA_Written_Comments)) were more pointed, and made clear the group’s multiple areas of concern. HPI’s letter notes in its introduction that the proposed merger, “is of major concern to our members and other independent providers.” HPI added that due to the market concentration the merger would bring, independent providers “need meaningful protections to ensure this concentrated market power does not reduce competition or otherwise impede the innovation and entrepreneurship for which our members are known.” It provides 14 specific sets of “comments for consideration” tied to specific sections of the governing rules.
One such revolves around the emergency rules’ requirement that the hospital systems explain how their cooperative agreement will assure that hospitals, doctors groups and other providers not included in the merger retain their ability to operate independently and competitively post-merger. The section urges the final rules to include a request for explanations as to how this will be assured, and that the new system commit to not using Certificate of Need requirements to oppose development of new ambulatory facilities by still-independent entities. Such independent entities, HPI wrote, “are essential to providing access, quality of care and cost effectiveness called for in the Triple Aim, and we should ensure that the COPA be structured so as not to impede their development and operation.”

The section also warns of a “deep concern” that a merged system, without proper restraints built into the COPA, could use its employed physicians as essentially “loss leaders” to capture patient referrals to their inpatient facilities and ancillary services. And it expresses concern that a merged system could treat independent physicians unfairly, and should be regulated as to granting of medical staff privileges and access to operating and procedure rooms, among other things.

The FTC warned of what it said was a high degree of anticompetitive risk when mergers occur in concentrated health care markets. The FTC announced its readiness to weigh in as the state considers the merger’s implications – and it emphasized its general concern, “about COPA programs and other antitrust exemptions.”

The commission noted that the Department of Health must consult with the state attorney general’s office as it evaluates potential reduction in competition, and that the AG’s office, “may consult with the FTC during this process.” The letter noted as well that, “in our experience, mergers between close competitors in highly concentrated health care provider markets are more likely to result in significant consumer harm than a merger in a less concentrated market.”

The agency touted its experience in analyzing the likely competitive effects of mergers. Against the “likely anticompetitive harm,” the letter read, the FTC assesses the, “efficiencies and procompetitive benefits likely to result from a merger.” Using information, documents and data from sources ranging from merging parties to health plans, third-party health care providers and employers, the FTC credits as counterbalances to anticompetitive effects only “merger-specific” efficiencies – those unlikely to be achieved without a merger. Those efficiencies must be “substantiated and non-speculative,” and also likely to be passed through to consumers. “This methodology is appropriate when applying a ‘clear and convincing’ evidentiary standard, as the Tennessee Department of Health is required to do,” the FTC wrote.

Ultimately, though, the federal government may not have much authority in the matter. The COPA law is designed to provide “state action immunity” from investigation and possible prosecution by the FTC, with its basis in the 1943 “Parker v Brown” Supreme Court decision. With respect to hospitals, it articulates a policy to displace competition, and it provides for active state supervision. The FTC’s three-page letter suggests such laws shouldn’t be necessary if health care mergers are truly “procompetitive” – having results that improve quality, reduce costs and improve patient access to services. “The FTC only seeks to prohibit under the antitrust laws those collaborations that are likely to undermine these goals and result in harm to consumers, including higher prices without any offsetting quality improvements,” the letter says. “Consequently, efforts to shield such conduct from antitrust enforcement are likely to harm Tennessee health care consumers, no matter how rigorous or well-intentioned the regulatory scheme may be.”

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The FTC letter states its willingness, “to provide any expertise and information that we are authorized to share in connection with the review of COPA applications” by the department and the Tennessee AG’s office. It asks for similar information sharing in return, by the state to the FTC, and “urges” that, “these concepts of permissible sharing of information and expertise” between it and the state of Tennessee, “be incorporated in the promulgated rules.”

The proposed merger partners released the following joint statement Dec. 15:

“We are making great progress in the process to bring our two organizations together, and we expect this strong momentum to continue into 2016. After the first of the year, we expect to announce reaching several significant milestones: the signing of a definitive agreement, filing a public report that captures important commitments to positively impact health care in the region as a proposed combined system, and filing applications for a Certificate of Public Advantage (COPA) in Tennessee and a cooperative agreement in Virginia.

“We are excited about the future of health care in our region and look forward to sharing more in the new year.”
Stories to Watch 2016

Johnson City Press, January 1, 2016

The next 365 days will likely open some eyes and change the course of history for Johnson City and Washington County.

Make no mistake, there are numerous obstacles ahead, but there is a growing sense of forward movement in the community from an increase in entrepreneurship and a mounting to-do list from both private and public entities.

**Downtown Development**

With city public works projects nearing completion in the downtown area, and the pace of new business openings quickening, expect to see a new shopping and dining options in 2016.

Although 2015 was a banner year for small downtown businesses in Johnson City, developers are currently converting formerly unusable buildings and spaces into suitable spots for retail and restaurants.

One man with a history of successfully rehabilitating historic buildings, Joe Baker, plans to finish two projects this year. One, a former hotel at 126 Buffalo St., near the Tweetsie Depot Baker finished and filled this year with Yee-Haw Brewing Co. and White Duck Taco Shop, will be completed in the summer, Baker said he hopes.

In it, Baker said he will install a regional outdoor outfitter on the ground floor and office spaces on the top two floors. The Washington County Economic Development Council voted last month to move its offices into the upper floors, leaving the potential to sub-lease any unused floor space.

The other project is in a former Chevrolet dealership at 71 Wilson Ave., overlooking founders park.

There, Baker aims to land a chain sports bar-themed restaurant for the bottom floor and a music venue above, where he said East Tennessee State University’s bands will be welcome to meet the required performances of their degree programs.

At 202 E. Main St., Sanjay Bakshi is in the process of building a restaurant with outdoor dining in the former People’s Community Bank building. Bakshi was gifted the public land neighboring the building by the city, because the expense to repair one of the building’s crumbling walls was greater than the value of the land.

Other projects are also underway in buildings not needing quite as much structural attention, prompting economic development officials to reservedly declare that downtown Johnson City may have turned a page to a new era of prosperity.

**Hospital Merger**

One of the Press’ largest stories of 2015 will likely remain an important topic of 2016, as well.
After announcing last April their intentions to merge into one organization, Mountain States Health Alliance and Wellmont Health System spent the rest of the year forming joint exploratory boards and conducting public meetings, leading up to the creation of documents that will be filed with Tennessee and Virginia outlining their plans for joining.

Meant to help control costs for health care and put a damper on unregulated growth, the applications are meant to convince regulators in the two states to grant a certificate of public advantage in Tennessee and a similar document called a cooperative agreement in Virginia.

Once filed, the public will get a look at how the joined system plans to operate, including the use of existing facilities and employees.

The organizations’ CEOs originally planned to have the applications in by the fall of 2015, but now say they will come sometime in 2016, paving the way for a merger, if regulators don’t object.

**Boones Creek Corridor**

Boones Creek Corridor Subcommittee members learned in December the Tennessee Department of Transportation is aware of the joint effort to create an overlay district and has offered the services of a consultant to help facilitate needed changes on the state route.

That news came at the group’s third meeting, at which local stakeholders are planning an overlay district along the route in anticipation of robust development.

The idea is to create an overlay district before heavy development floods the corridor. In the coming months, the group will be reviewing more specific roads, zoning and aesthetic guidelines for the corridor — the southern portion of Tenn. 354 (Boones Creek Road) between the train trestle southwest of Interstate 26 to Bugaboo Springs Road just past The Ridges.

Washington County owns adjacent right-of-way from the train trestle to The Ridges, while Johnson City owns the right of way from that point to Bugaboo Springs Road. The land is more or less split where Knob Creek Road joins in from the municipal limits.

Agricultural land still surrounds most of the area, but high-density residential development is forcing its way in and business and commercial offers are knocking on the door.

**De-annexation?**

Gray residents involved in the 2012 Suncrest Annexation are seeking a legal way to de-annex themselves out of Johnson City’s corporate limits, and coming City Commission meetings could get very interesting.

City officials have promised only that their request, in the form of an ordinance, will be introduced to commissioners. About 75 of the 80 property owners wanting out have signed a petition. Though the city has no legal obligation to grant the request — or even hear three readings of an ordinance — its leaders appear ready to give it serious thought.

The move would be groundbreaking, as there are very few, if any, citizens making such requests statewide.
Should Johnson City officials decide to take action on the request, they can go about it in only two ways. The first would be to introduce an ordinance. Commissioners then would move the ordinance along just as any other, with the measure succeeding on three successive votes, or failing on just one.

The second method would be to introduce an ordinance to commissioners asking for a citywide referendum on the matter. That ordinance would have to clear the normal procedural process. If approved, three-quarters of all participants in the referendum would have to vote in the affirmative for approval.

The Suncrest Annexation, comprised of more than 300 acres on or near Suncrest Drive, was the first phase of a planned 600-acre annexation that included land along the Bobby Hicks corridor (Tenn. Hwy. 75).

**U-Haul basin/Downtown Plaza**

Founders Park and The Pavilion at Founders Park are up and running, and the next major step for Johnson City’s downtown renovation is construction of the U-Haul Basin — what many have been calling the Downtown Plaza.

Work began in December on the 4-acre lot with heavy equipment moving in to break up and remove old concrete and asphalt in front of the Johnson City Public Library and between Campbell’s Morrell Music and the Renasant Bank.

The project itself was formulated as part of the city $30 million stormwater mitigation plan, which was generated in 2007 to help diminish downtown flooding. Like Founders Park, which the city completed last year, the floodwater mitigation project along King Creek will be more than a utilitarian detention pond.

Besides a large basin, the park will feature walking trails, shade trees and green lawns. The park will have a theme — either the environment, pollinators or children’s books — to tie together a handful of stations along the trail.

When the project is done, about 60 parking spaces will be available and all utilities will be put underground.

**NN Inc.**

A Johnson City-based manufacturer is considering moving the NN Inc. plant in Erwin, which might take the factory and 200 to 300 jobs into a neighboring county.

At the Nov. 16 meeting of Unicoi Board of Mayor and Alderman, Mayor Johnny Lynch said NN Inc. has expressed interest in replacing its Erwin ball bearing manufacturing plant on Tennessee Road near Unicoi County High School with a new facility with better access near an interstate.

Lynch says the search was narrowed to two properties, one just outside Erwin bordered by Zane Whitson Drive and Dry Creek Road, and one in Johnson City off Boones Creek Road. The 20.9-acre Dry Creek Road property, near the Tinker Road exit of Interstate 26, is currently under option by the county’s economic development board.

**CSX fallout, recovery**
The Unicoi County Economic Development Board likely will learn from CSX whether the railroad will transfer of some portion of the rail yard and old terminal building for development of new industry and commercial site.

An established task force also appears it will succeed in establishing college-level chemistry and physics classes at the future career development center and/or high school needed to former CSX employees and to replace a wave of retirements expected at Erwin’s Nuclear Fuel Services.

Unicoi County officials also will also be asking that CSX transfer the of the Old No. 1 engine for passenger excursions on the old Clinchfield line, however one of our story commenters says the engine’s frame is cracked.

Press Assistant News Editor, Nathan Baker, and staff writers Gary Gray and Sue Legg contributed to this report.
HEALTH SYSTEMS ANNOUNCE MERGER

Wellmont Health System and Mountain States Health Alliance in April announced that their boards had unanimously agreed to merge. Both health systems stated their decision would create a new, locally governed system that would aim to improve the region’s health, improve individual outcomes for patients, and reduce the overall cost of healthcare. They also maintained there were no intentions of closing any hospitals.

The announcement followed months of speculation about a merger. Work to finalize the agreement continues.

In May, both health systems announced appointments to a joint board task force that was charged with assisting the creation of the new health system. An integration council formed in April to oversee pre-merger planning will make recommendations to the task force, which is the governing group that consists of leaders from each health system.

The health systems also announced in August the names of individuals who would chair four work groups seeking public input about regional health issues in the near future as part of the merger.
Significant milestones ahead for health merger

The lengthy and complex process of merging the region’s two health care systems will continue into the new year.

Wellmont Health System and Mountain States Health Alliance announced in April 2015 that the two intended to become one, ending months of speculation about a health care merger.

Asked for a status report before Christmas, the two agencies said significant milestones lie ahead:

- filing a public report that “captures important commitments to positively impact health care in the region as a proposed combined system”;
- filing applications, both for a certificate of public advantage in Tennessee and for a cooperative agreement in Virginia;
- and the signing of a definitive agreement.

Wellmont and MSHA in September filed letters of intent in Virginia and Tennessee asking for regulatory approval of the merger. The states’ approval of the certificate of public advantage and cooperative agreement will allow the merger to move forward.

MSHA and Wellmont have said the merger will reduce the growth of health care costs and improve the region’s health as well as improving the economy.

The two health care providers held a press conference on April 2, 2015 at Kingsport, Tenn.’s Meadow View Convention Center, with executives and physicians praising the benefits of the proposed merger, an idea the two agencies summed with a slogan: “Better Together.”

Like other health care providers nationwide, Wellmont and Mountain States began the merger process with both facing declining reimbursements and patient volumes as well as reductions in physician residency slots.

The new system, if approved, is expected to put more emphasis on research and on providing more services to answer the region’s most challenging health problems — diabetes and cardiovascular disease, for example — as well as mental health and drug addiction.

The agencies’ leaders said the region’s private employers were enthusiastic about the proposed merger, believing it would alleviate some of the “cost drivers” in providing health care.

Officials of both systems also strongly stated that they intended to leave all hospitals open while also stressing the need to use some of the combined systems’ capacity to bring new services to communities.
Wellmont, MSHA set to seek state approval for merger

David McGee, dmcgee@bristolnews.com, 9:03 p.m. EST January 7, 2016

BRISTOL, Tenn. — Wellmont Health System and Mountain States Health Alliance will soon file the paperwork seeking state approval to merge their two health systems, officials said Thursday.

Leaders of both systems touted the near-completion of a report outlining the benefits of that proposed merger during an afternoon news conference at Bristol Chamber of Commerce. Both systems announced their intent to study a possible merger last April and have worked for the past eight months to reach this point.

“Both boards are 100 percent behind this enthusiastically and we’re excited about moving forward,” Wellmont board Chairman Roger Leonard said.

The two long-time competitors operate a combined 19 hospitals plus other health care facilities and employ a combined 14,000 people.

“We have placed the pre-submission report on our website,” said Wellmont CEO Bart Hove. “The intent is to receive feedback from the public over the next two-three weeks, gather that information as well as additional input and incorporate that into final development of the document which is, in essence, about 97-98 percent complete today. That will be filed the latter part of this month or the early part of February and that begins the [review] process by the states — 120 days in Tennessee, 150 days in Virginia — which pushes us up to summer to hear the result.”

The new report details a mutual commitment to limit price increases while investing about $450 million — generated by savings over the next decade — to improve mental health services, expand scientific
research opportunities, meet the region’s specific health needs and implement an information technology platform to connect hospitals, doctors and other caregivers.

“The savings are generated by the efficiencies gained by placing our systems together, coupled with the enhancements provided by seeking best practices across our health system and reducing unnecessary duplication of services,” Hove said, adding that the plan and its results were validated by outside consultants, since the two systems cannot legally share certain financial information.

Should Tennessee and Virginia approve the applications and the merger become final, each will supervise the new organization and enforce the commitments.

Officials said the combination of investing in new services and limiting price hikes is central to receiving each state’s approval.

“The COPA [Certificate of Public Advantage] in Tennessee, for example, requests four commitments from the organization — improve access to care, improve quality of care, provide additional services and control the costs of health care,” Hove said. “If we can’t demonstrate those aspects through the application process and the monitoring process that subsequently follows after it’s approved, there is a dissolving of the merger. That is the ultimate governor of whether we are achieving those results at the satisfactory level of the state supervision.”

Leonard said the two organizations are committing to place a cap on price increases.

“This proposed organization also commits to limit the pace of growth in health care costs to below the national average. We’ll be doing this by placing limits on negotiated rates with insurers. This is great news for families and great news for employers,” Leonard said.

MSHA CEO Alan Levine said unlike traditional mergers where costs go up because competition is eliminated, this agreement assures that won’t be the case.

“The consumer price index minus 0.25 percent would be our cap,” Levine said. “The first full contract year after the merger is consummated, our plan is for existing contracts where fixed automatic rate increases are already agreed to by the payers, we will decrease, for that year, by 50 percent the already agreed to rate increases. Thereafter, the cap would be tied to the consumer price index minus 0.25 percent for hospitals and for medical care professionals.”

The 10-year financial commitments include:

At least $75 million to meet the unique health needs of the region.

At least $140 million to expand community-based mental health services, residential and outpatient addiction recovery programs, tobacco and substance abuse prevention programs, children’s and rural health services.

At least $85 million to expand academic and research opportunities, support post-graduate health care training, and improve preparation of health professionals in the region.

Up to $150 million to establish an information technology system to share health information, connect hospitals, physicians and other caregivers.
“If we were partnering with health systems outside our region, we couldn’t make anywhere near these kind of investments,” Leonard said. “These investments will be made back into our community and be — in and of itself — a catalyst for economic growth and job growth.”

The report also gives a five-year commitment to the operation of all existing rural hospitals.

“We are committed to keeping access to those services, to those communities for at least five years. That is a commitment that can’t be made by out-of-market buyers,” Levine said. “We are committed to keeping these hospitals open. We are interested, however, in making sure we’re optimizing the services of those hospitals. We may add certain services not currently being provided or we may consolidate services from one to another to make room for additional services within a hospital.”

Levine said the filing will also include a proposed five-year financial plan.

“You’ll see together our balance sheet is much stronger than both of us separate. By having such a strong balance sheet, should we ever need to issue debt to borrow money, we can. We also believe we’ll be able to refinance some of our existing debt, which will decrease some of our interest expense,” Levine said.

Levine also outlined how failure to comply with the terms it submits could end the merger.

“The states have articulated rules about how the COPA application should be submitted and we plan to follow those rules,” Levine said. “After the COPA is approved, if we violate any provision of the COPA, the state has the right enforce compliance. If we don’t comply then the state would require us to submit a plan for separation. And that would subject us to FTC [Federal Trade Commission] scrutiny at that point.”

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UPDATE: Wellmont, Mountain States release pledges to community in merger documents

Nathan Baker, nbaker@johnsoncitypress.com, 9:53 p.m. EST January 7, 2016

The leaders of the area’s two health systems wanted to make clear their dedication to the “binding commitments” in a report they released Thursday partially detailing their plans to merge the organizations later this year.

“‘Commitments,’ I wish I could say it 100 times,” Mountain States Health Alliance Board Chairwoman Barbara Allen said in a conference room at the Bristol Chamber of Commerce during a press conference to announce the joint release of a pre-submission report to the public before the systems submit applications for regulatory approval to authorities in Tennessee and Virginia.

Her counterpart at Wellmont Health System echoed Allen’s enthusiasm for the word.

“I’m saying commitment, commitment, commitment,” Wellmont Board Chairman Roger Leonard said.

The document, called a pre-submission report, answers some of the questions that spread through the community after the leaders of the two systems officially announced their intent to merge in April.

In the report, the systems pledge at least $450 million over 10 years to create and improve existing programs to reduce infant ailments, overprescription of painkillers and avoidable hospital admission and emergency room use; add capacity for addiction recovery services, mental health resources and development of pediatric specialty centers and emergency rooms in Kingsport and Bristol; and to create research facilities an opportunities tied to the region’s medical colleges.

Answering one major question on the minds of many in the region, the report vows that promises to keep all existing facilities open for at least five years after the merger is completed.

“All hospitals in operation at the effective date of the merger will remain in operation as clinical and health care institutions for at least five years.” At the end of that period, the merged system may reassess the need for such facilities and “may adjust scope of services or repurpose hospital facilities.”

“We are committed to keeping services available in our communities,” current Mountain States CEO Alan Levine, who will be executive chairman and president of the merged system should it be approved, said. “But we are interesting in optimizing services where they’re needed, which could mean adding some services in some places or consolidating some specialties in others. Repurposing is something we do already.”

The report also commits to maintain three full-service tertiary hospitals, in Johnson City, Kingsport and Bristol, and states that independent physicians will not be required to practice exclusively at the new system’s facilities, and the system will not prohibit independent physicians from participating in health plans and networks of their choice.

Currently, Wellmont maintains two tertiary hospitals, Holston Valley Medical Center in Kingsport and Bristol Regional Medical Center in Bristol, and Mountain States maintains Johnson City Medical Center in Johnson City.
The document also sets up a price cap tied to the hospital Consumer Price Index, which Levine said would hold costs for service lower than if the systems were to remain apart.

After the merger’s first full year, the insurance companies holding contracts with the previously existing systems will receive a 50 percent decrease in the agreed-upon increases for service in their contracts. Each year after, fees for service increases will be capped at the average rate of increase calculated by the CPI, minus .25 percent. Increases in rates for physicians and non-hospital outpatient services will be similarly capped.

If the new system, which is named only “New Health System” in the report, violates the cap, the states which approved of the merger could terminate their agreements allowing its existence and force the system to again split, Levine said.

For the systems’ 15,000 existing employees, many of whom have voiced concerns regarding the potential for layoffs once the two systems merge, the report doesn’t make promises to maintain staffing levels, but does promise to maintain the employee benefits maintained by the separate systems and to “work as quickly as practicable after completion of the merger to address any differences in salary/pay rates and employee benefit structures.”

The new system will have to find efficiencies somewhere to make it fiscally stable, and some of those efficiencies may be found by reducing redundant positions, but Levine said the picture would likely have been worse if the two systems had each chosen outside merger partners.

“When outside systems come in and merge regional systems, one of the first things they do is eliminate all overhead,” he said. “That could have been as many as 1,000 jobs, and the savings from that wouldn’t stay in the community, it would go to some headquarters out of state.”

To pay for the $450 million, 10-year improvement plan, Allen said the merged organization would rely only on the saving achieved by merging.

Levine added that those planning the system had “no plan to add new debt” to the approximate $1.5 billion already owed by the two systems. The new system should be in a better positional financially to refinance that existing debt and may be better able to pay it down, he said.

With the pre-submission report released, the systems will wait for public input regarding the plan, which may be submitted at the jointly maintained website becomingbettermtogether.org. In the next step, the two systems will sign a definitive agreement, which both boards of directors have already approved, then officially file applications for a certificate of public advantage in Tennessee and a cooperative agreement in Virginia.

The system expects the applications to be filed in the winter or spring and they expect a decision from the states in the summer.

Email Nathan Baker at nbaker@johnsoncitypress.com. Follow him on Twitter at @jcpressbaker or on Facebook at facebook.com/jcpressbaker.
Wellmont-MSHA report: Planned merger would hold health care costs down

Hank Hayes, hhayes@timesnews.net, 8:00 p.m. EST January 7, 2016

BRISTOL, Tenn. — Mountain States Health Alliance and Wellmont Health System demonstrated Thursday their planned merger keeps moving forward by releasing a report about how they intend to improve health care in the region — and create jobs.

They also pledged the merger would reduce the pace of growth in health care costs to below the national average by placing limits on negotiated rates with insurers.

Their so-called “pre-submission report” precedes the filing of applications for merger approval in both Tennessee and Virginia.

The two health care providers pledged to spend about a half billion dollars over a 10-year period on population health improvements, community-based mental health services, growing academic and research opportunities and combining their information technology platforms.

They also made broad commitments toward improving community health, enhancing health care services, expanding health care choices and access to care, enhancing health care value, investing in health research and education, and attracting and retaining a strong workforce.

“These are, and I feel like I want to say that about 100 times ... they are binding commitments,” Barbara Allen, MSHA’s board chair, said at a briefing held at the Bristol Chamber of Commerce.

“Like Barbara, I’m saying commitment, commitment, commitment,” echoed Roger Leonard, Wellmont’s board chair. “These commitments were developed after thousands of hours of studying national research and data, and trends.”

The merger is expected to be built around making Holston Valley Medical Center in Kingsport, Bristol Regional Medical Center and Johnson City Medical Center the main tertiary care facilities and then optimizing the new system’s community hospitals in Northeast Tennessee and Southwest Virginia, according to MSHA President and CEO Alan Levine, who would lead the new system.

The two systems also have a combined $1.5 billion of debt caused by redundant cost and duplication of services, according to the report. Levine said the merged system has no plans to add new debt and would be in a better position to refinance existing debt.

Levine also warned that if the merger does not happen, health care bills will go up at a higher rate.

If either Wellmont or MSHA were acquired by an outside system, prices increases would go up by 14-18 percent, Levine added.

“Our employers have been advocates for this merger,” Levine pointed out. “We have told them we will do this only if we can constrain the cost of health care for them.”

As for the merger’s impact on jobs, Wellmont President and CEO Bart Hove said savings from the half-billion dollar investment in services, such as research and development, should help the new system grow jobs.
Levine said a definitive agreement for the merger has been agreed to by both systems, but has not been signed yet. The new health system would have a new name and be governed by a new 16-member board of directors.

Wellmont and MSHA anticipate filing the applications for a Certificate of Public Advantage (COPA) with the Tennessee Department of Health and a cooperative agreement with the Southwest Virginia Health Authority in late January after a period of public comment on the pre-submission report. The applications will initiate the state review process, which is expected to extend into the late summer of 2016.

Should Tennessee and Virginia approve the applications and the merger becomes final, the state and commonwealth will supervise the new organization and enforce the commitments to ensure the public benefits.

The federal government, through the Federal Trade Commission, could later do nothing or intervene in the merger, but would have to do so in the court system, according to Levine.

The full report can be viewed at www.BecomingBetterTogether.org.
**Tennessee merger partners pledge $450 million in community benefit**

Michael Sandler, msandler@modernhealthcare.com, January 7, 2016

Two systems with 19 hospitals across several states in southern Appalachia are pledging up to $450 million in community benefits if authorities in Tennessee and Virginia allow their proposed merger to go forward.

Wellmont Health System, headquartered in Kingsport, Tenn., and Mountain States Health Alliance of Johnson City, Tenn., detailed the offer in a pre-submission report, which is required as part of the regulatory approval processes in both states.

Wellmont, a six-hospital system that serves Tennessee and Virginia, and Mountain States Health Alliance, a 13-hospital system that serves Kentucky, North Carolina, Tennessee and Virginia, promised to make investments in six areas over the next decade.

The areas include improving community health, enhancing healthcare services, expanding healthcare choices and access to care, enhancing healthcare value, investing in health research and education, and attracting and retaining a strong workforce, the systems said in a joint news release.

“The dollar investments are important, but what makes this model truly unique is the fact that we're making an enforceable commitment to direct the financial efficiencies created by the new organization toward improving community health,” said Alan Levine, president and CEO of Mountain States.

The combined systems would spend $75 million in population health improvements; at least $140 million expand community-based mental health services, including residential and outpatient addiction recovery programs; $85 million on developing academic and research opportunities; and up to $150 million for the implementation of a common information technology platform to support health information exchange throughout the region, according to the plan.

The merger still faces a number of regulatory hurdles. After a short public comment period on the document released Thursday, Wellmont and Mountain States will file formal applications with the Tennessee Department of Health and a cooperative agreement with the Southwest Virginia Health Authority. Those are expected this month.

The review process is expected to extend well into the summer. If approved by Tennessee and Virginia, both will supervise the new organization and enforce the commitments made in the plan, according to the press release.

The two systems last June promised the public the chance to comment on the proposed merger.
Far Southwest Virginia hospital systems outline merger plan

Luanne Rife, Luanne.rife@roanoke.com, 10:00 p.m. EST January 7, 2016

In advance of merger filings, executives at far Southwest Virginia’s dominant hospital systems said they are “absolutely committed” to improving the health of people in the Appalachian communities they serve and to satisfying regulators by holding prices below the national average.

Mountain States Health Alliance and Wellmont Health System are the predominant health care providers for people living in Virginia and Tennessee’s Appalachian communities. They plan later this month to file formal applications with both states to gain consent to merge their systems. While they pledged to keep their three flagship hospitals open, changes could come for 16 community hospitals.

In a presubmission report released Thursday, the two systems outlined a plan to spend $450 million over the next decade on improving the health of the people they serve, and made the case for why a merger is more beneficial than separate systems or merging with conglomerates from outside the area.

Economists hired by America’s Health Insurance Plans, a trade group, wrote in a November report that a merger would create a monopoly. A combined company would capture more than a 77 percent share of the market covering far Southwest Virginia and east Tennessee and would raise prices by at least 20 percent, the report said.

Wellmont CEO Bart Hove and his counterpart at Mountain States, Alan Levine, said during a news conference they had addressed concerns by committing to cap prices to insurance providers at a limit slightly below the hospital consumer price index.

“No one can credibly say this will lead to price increases,” Levine said.

Wellmont and Mountain States said they serve one of the unhealthiest populations in the United States, with a high concentration of Medicare, Medicaid and uninsured patients.

“The two health systems have expensive, unnecessary duplicative health care resources that are allocated inefficiently,” according to the report, which notes that a merger would bring efficiency and lower the cost. Together, they have $1.5 billion in debt they said arose from duplication of services.

Wellmont and Mountain States maintain that if an outside player acquired either of their systems, the government would have less oversight than they will encounter, and would take merger savings and jobs out of the communities.

While the health systems pledge to keep their three advanced-treatment hospitals open, the report said the community hospitals in operation at the date of the merger “will remain operational as clinical and health care institutions for at least five years. ... The new health system may adjust scope of services or repurpose hospital facilities. No such commitment currently exists to keep rural institutions open.”

Levine said they will consolidate and shift services, but “we are absolutely committed to keeping health care services available. That won’t change — ever.”

They also committed to adding mental health and substance abuse services.
Wellmont in 2013 closed the Lee County hospital without warning. The county created a hospital authority, has paid Wellmont $1.6 million to buy back the building and is working with Mountain States to reopen the facility. That plan, though, is complicated by Wellmont’s right of first refusal. A merger could ease the reopening of the hospital.

Both Virginia and Tennessee must approve the merger. Virginia set up a new process that falls outside its traditional Certificate of Public Need review, and the submission will be vetted first by the Southwest Virginia Health Authority. The authority board met Thursday and approved the final process for receiving the application. They will solicit public comments before making a recommendation to Virginia’s commissioner of health.

Members of the authority with financial ties to either health system will not participate in the process.

The Virginia Association of Health Plans opposes the merger, while the Virginia Hospital and Healthcare Association supports it. The hospitals are proceeding under the states’ regulations and are not planning to undergo review by the Federal Trade Commission.

The FTC has voiced concern about Virginia’s process, which grants antitrust immunity and was created to foster this merger. The agency has sought to block several similar mergers in other states.

The hospital systems said the states’ requirements granting antitrust immunity and continual regulatory oversight protect residents by ensuring they have access to care at affordable prices.

Wellmont and Mountain States executives said financial efficiency achieved through a merger would allow them to commit to a “series of transformational investments.”

They agreed to spend:

- $75 million to improve the health of the populations they serve.
- $140 million to expand community mental health services and child and rural health services.
- $85 million on research and academic opportunities to strengthen the number of health professionals in the region.
- $150 million on information technology to connect all their hospitals, physicians and patients.

Any jobs lost through consolidation would be offset by those created through the investments and by developing new services, they said. Both companies are headquartered in Tennessee. The executives said the merger allows them to keep corporate jobs that would be lost if one or the other firm was acquired by an out-of-area health system.

The presubmission report is available online. Comments on the proposal will be included in the filing late this month. The states are expected to conclude their reviews sometime this summer.
Officials announced the specifics of their plans Thursday for the planned hospital merger between Mountain States Health Alliance and Wellmont Health System.

The specifics have been kept under wraps until now, even for employees. Health system officials say this merger will help bolster the community. But some have concerns it might monopolize healthcare in our region by driving costs up and quality down.

"That has been the focus of this entire process is how to make this health system better for the public and the communities they serve," said Mountain States CEO Alan Levine. Levine was one member in a panel of four officials with each of the health systems.

Under the slogan “Better Together” the merger will combine the assets and operations of both companies into one new health system that is locally governed.

News 5 asked Levine if the merger, like many others, would drive up the cost of healthcare. "The short answer to your question is, the cost for consumers will go up at a rate slower with the merger than without the merger."

Each of these systems currently has agreements with insurance companies for fixed rate increases. "The actual increases that have already been negotiated will decrease by 50% for that first year after the
merger. And after that we anticipate a rate cap that is below the national average of hospital pricing," Levine said.

Over the next ten years, the plan calls for half a billion dollars of investment in the community, including for expanding addiction and mental health programs and advancing research and academic training.

"This is great news for families. This is great news for employers," said Roger Leonard, Chairman of the Wellmont Board of Directors.

Mountain States currently has 13 hospitals spread across Northeast Tennessee and Southwest Virginia. Meanwhile Wellmont operates six. That means if they merge, they will have a combined 19 hospitals and more than 14,000 employees.

The next step will be for the health systems to file a Certificate of Public Advantage, or COPA at the end of the month. The COPA will be reviewed by both Tennessee and Virginia state leaders, lasting into the summer. If approved, the merger becomes final.

Right now there is a public comment period. If you want to review and weigh-in on the plans, follow this link: www.BecomingBetterTogether.org.

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Kingsport, Tenn.-based Wellmont Health System and Johnson City, Tenn.-based Mountain States Health Alliance have outlined a series of goals they hope to achieve through their proposed merger.

In April, the two healthcare organizations announced plans to come together to create a new health system. Through the merger, Wellmont and Mountain States said they hope to improve community health and enhance healthcare services. The organizations also said they plan to place limits on the rates insurers negotiate with the new health system.

Through the merger, Wellmont and Mountain States committed to the following investments over the next 10 years.

- At least $75 million to invest in population health improvements
- At least $140 million to expand community-based mental health services, residential and outpatient addiction recovery programs and tobacco and substance abuse prevention programs as well as to further support children's and rural health services
- At least $85 million to develop and grow academic and research opportunities, support post-graduate healthcare training and strengthen the pipeline and preparation of health professionals in the region
- Up to $150 million to implement a common information technology platform to support the regional exchange of health information

"These commitments reflect months of extensive conversations with stakeholders across the region," said Alan Levine, president and CEO of Mountain States. "The transformational investments outlined in this report would not be possible without the savings realized by combining the two organizations."
Tennessee, Virginia Health Systems Commit to Stave Off Health Care Cost Growth In Unique Partnership

Hospitals & Health Networks, Marty Stempniak, January 8, 2016

One particular commitment — along with millions pledged up front toward population health — makes a proposed union between two hospital networks in Tennessee and Virginia especially unique.

Six-hospital Wellmont Health System, based in Kingsport, Tenn., announced plans Thursday to merge with 13-hospital Mountain States Health Alliance in Johnson City, Tenn. The two are promising to spend some $450 million toward population health improvements and a health information exchange between their slew of facilities, in an agreement those involved are calling “innovative” and “transformational.”

But particularly noteworthy is the proposed 19-hospital organization’s pledge to stave off any growth in health care costs, placing limits on negotiated rates with insurers to keep increases below the national average.

“This is an affirmative commitment to absolutely reduce the growth in the price of health care,” Alan Levine, president and CEO of Mountain States, said at a press conference Thursday.

The two systems are pledging to address six key areas in their communities, if the states of Tennessee and Virginia approve the deal: improving community health, enhancing health care services, expanding health care choices and access to care, bolstering value, investing in research and education, and attracting and retaining a strong workforce. They’re backing up those commitments with big bucks in several areas over the next decade:

- At least $75 million toward population health improvements, allocated through a 10-year plan developed with the health system’s communities and public health resources;
- A minimum of $140 million to expand community-based mental health services, residential and outpatient addiction recovery programs, and tobacco and substance abuse prevention programs, along with further support for children’s and rural health services;
- A minimum of $85 million to develop and grow academic and research opportunities, support postgraduate health care training and strengthen the pipeline of health care professionals;
- Up to $150 million to implement a common information technology platform to support the regional exchange of health information and connect their hospitals.

Faced with the options of either getting bought out by a much larger organization, or teaming with one another, the choice was easy, Levine said during yesterday’s press conference. Remaining independent was not an option, and a larger acquisition of both systems, he believes, would have spelled a loss of both control and jobs in their communities.

“In the environment where you have the largest insurance company mergers in history happening, where really 90 percent of our nongovernment payer mix is going to be controlled by three payers, it’s an environment where we don’t think, long term, we can sustain ourselves as small, independent...
systems,” Levine said. “So, the choice is whether we merge with each other, or whether we’re acquired by outside systems.”

For more on the partnership, you can check out the website here, or watch for our full report in the February issue of Hospitals & Health Networks.
Specific health system merger plans revealed

By: Greg Richards
Posted: Jan 08, 2016 12:00 AM EST

Updated: May 24, 2016 05:08 AM EDT

Officials announced the specifics of their plans Thursday for the planned hospital merger between Mountain States Health Alliance and Wellmont Health System.

The specifics have been kept under wraps until now, even for employees. Health system officials say this merger will help bolster the community. But some have concerns it might monopolize healthcare in our region by driving costs up and quality down.

"That has been the focus of this entire process is how to make this health system better for the public and the communities they serve," said Mountain States CEO Alan Levine. Levine was one member in a panel of four officials with each of the health systems.

Under the slogan "Better Together" the merger will combine the assets and operations of both companies into one new health system that is locally governed.

News 5 asked Levine if the merger, like many others, would drive up the cost of healthcare. "The short answer to your question is, the cost for consumers will go up at a rate slower with the merger than without the merger."

Each of these systems currently has agreements with insurance companies for fixed rate increases. "The actual increases that have already been negotiated will decrease by 50% for that first year after the merger. And after that we anticipate a rate cap that is below the national average of hospital pricing," Levine said.

Over the next ten years, the plan calls for half a billion dollars of investment in the community, including for expanding addiction and mental health programs and advancing research and academic training.

"This is great news for families. This is great news for employers," said Roger Leonard, Chairman of the Wellmont Board of Directors.

Mountain States currently has 13 hospitals spread across Northeast Tennessee and Southwest Virginia. Meanwhile Wellmont operates six. That means if they merge, they will have a combined 19 hospitals and more than 14,000 employees.

The next step will be for the health systems to file a Certificate of Public Advantage, or COPA at the end of the month. The COPA will be reviewed by both Tennessee and Virginia state leaders, lasting into the summer. If approved, the merger becomes final.
Right now there is a public comment period. If you want to review and weigh-in on the plans, follow this link: www.BecomingBetterTogether.org.

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The proposed merger between the health systems would place limits on negotiated rates with insurers, and tie healthcare cost growth in two states to the federal Hospital Consumer Price Index and Medical Consumer Price Index.

Leaders from Mountain States Health Alliance and Wellmont Health System last week said their proposed merger would invest nearly $500 million in regional health initiatives over the next decade while holding healthcare cost growth below national averages in their two-state service area.

"One of the things you've heard from organizations that oppose these mergers generally is that they lead to substantial price increases," Alan Levine, president and CEO of Johnson City, TN-based Mountain States, said in a media conference call. "No one can credibly say that this merger will lead to pricing increases. It is not possible under the model that we have proposed."

Levine said the proposed merger would place limits on negotiated rates with insurers, and tie healthcare cost growth for their operations in Tennessee and Virginia to the previous year’s growth as measured by the federal Hospital Consumer Price Index and Medical Consumer Price Index.

"In both cases it would be the consumer price index for that relevant field, minus .25%, [which] would be our cap," he said. "The first full contract year after the merger is consummated, our plan is for existing contracts, where the fixed automatic rate increases is already agreed to by the payers, we will decrease for that year for 50% the already agreed to rate increases. Thereafter, the cap would be tied to the CPI minus .25% for hospitals and for medical care from physicians."

For example, Levine says the average hospital and physician CPI increases last year were around 3.25%, which would put the merged system on a 3% cap. "And that is our cap," he says. "We may be priced under that cap."

The promise to hold cost growth below the national average is not mere rhetoric, Levine says, because the consolidated system could face "very clear consequences" if those cost containment goals aren't met.

"The Supreme Court has been steadfast in the state action doctrine of antitrust," he said. "There are two things required. One is that it is the policy of the state to permit the supplanting of competition in certain circumstances with regulation. We clearly meet that requirement because it is a policy of Virginia and Tennessee to permit this, as recently affirmed by both legislatures and governors within the last 12 months."

"The second prong of that test is that it has to be actively supervised by the state," Levine said.

"That process has already begun. The states have articulated rules for how the Certificate of Public Advantage application should be submitted. We plan to follow those rules. After the COPA is approved by the state, if we violate any provision of the COPA, the state has the right to terminate the COPA,
which would trigger a plan for separation and would subject us to Federal Trade Commission scrutiny at that point."

Levine says he's confident that "a variety of variables" that will allow the merged health systems to provide care at lower-than-average prices.

"By eliminating unnecessarily duplicative capital and operating expense due to unnecessary duplication of services, we can generate savings not otherwise available if the systems were to be acquired by outside hospital systems," he said.

"Also, it is important to note that our region has the third-lowest Medicare Wage Index in the nation. So our operating costs generally are lower than other areas of the nation."

Merger Plans Progressing
Mountain States and Kingsport, TN-based Wellmont leaders say the merger proposal is moving along with enthusiastic support from the boards of directors at both systems, and could gain final regulatory approval from Tennessee and Virginia by mid-year.

The proposal includes nearly $500 million in "transformational investments" over the next decade that include:

- At least $75 million to invest in population health improvements to meet the unique health needs of the region through a 10-year plan to be developed with the community and the public health resources at East Tennessee State University;
- At least $140 million to expand community-based mental health services, residential and outpatient addiction recovery programs, and tobacco and substance abuse prevention programs as well as to further support children’s and rural health services;
- At least $85 million to develop and grow academic and research opportunities, support post-graduate health care training, and strengthen the pipeline and preparation of health professionals in the region; and
- Up to $150 million to implement a common information technology platform to support the regional exchange of health information, connect our hospitals, physicians and other caregivers, and allow the combined system to offer higher quality, more convenient and more cost-effective care for patients.

"This is a social innovation on a scale that will attract philanthropic grants and investment and be the subject of research studies, trade journal articles, as well as philanthropic and social entrepreneurship case studies for years to come," Wellmont Board Chairman Roger Leonard said.

"This will also prove to be one of the most exciting economic development initiatives in our region in the coming decade," he says. "I mean think about it; close to a half billion dollars' worth of investments back into our region. The economic development professionals in our region ought to be doing back flips right now."
**Will the feds stand in the way?**

Hank Hayes, hhayes@timesnews.net, 1:30 p.m. EST January 11, 2016

KINGSPORT — Just as the planned Wellmont Health System-Mountain States Health Alliance merger is gaining traction, there could be something ahead standing in the way.

It’s the federal government.

In recent weeks, the Federal Trade Commission (FTC) has moved three times to challenge proposed mergers of hospital systems.

Those FTC challenges involve blocking the proposed merger of Advocate Health Care Network and North Shore University Health System, two leading providers of general acute care inpatient hospital services in the North Shore area of Chicago.

The agency has also taken action to stop Cabell Huntington Hospital’s acquisition of St. Mary’s Medical Center in the Huntington, W. Va. area, and Penn State Hershey Medical Center’s merger with Pinnacle Health System in the Harrisburg, Penn. area. The Pennsylvania Office of the Attorney General joined the latter challenge.

In the Chicago situation, the agency argued that merger would likely harm consumers with rising health care costs and diminished incentives to upgrade services and improve quality, according to the FTC complaint filed in federal court.

FTC said Advocate and North Shore are close competitors with a history of upgrading medical facilities, investing in new technologies, and adjusting their approach to managed care contracting to compete against each other.

In the West Virginia situation, FTC alleges the two hospitals are each other’s closest competitor for health plans and patients, and that the acquisition would substantially lessen competition between the hospitals for patients and for inclusion in health plan networks.

The FTC, which describes itself as a bipartisan federal agency with a unique dual mission to protect consumers and promote competition, says it files a complaint in federal court when it has “reason to believe” that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest.

Issuance of an administrative complaint marks the beginning of a proceeding in which the allegations will be tried in a formal hearing before an administrative law judge.

U.S. Rep. Phil Roe, R-Tenn., said the FTC apparently doesn’t believe the narrative in health care that consolidation of services will lower costs.

“What’s happened in the hospital sector is it’s so regulated now,” Roe, a former physician, said. “The Affordable Care Act (also known as Obamacare) gave hospitals the idea they would get a lot more paying customers. They did get some more but those people weren’t able to pay, and now the majority of uncollectable debt are people with insurance.”
Medicare also gives Wellmont and Mountain States less reimbursement for the same service offered in, say, California, said Roe.

In a pre-submission report on their merger, Roe pointed out Wellmont and Mountain States put in language about how they would hold down cost increases.

When asked about the FTC’s recent actions to block hospital system mergers, Mountain States President and CEO Alan Levine contends the planned Wellmont-Mountain States merger is a completely different matter.

“Those organizations were not applying for state oversight. Those were traditional, standard mergers,” Levine, who would lead the merged system, said after a briefing on the merger status held at the Bristol Chamber of Commerce.

Indeed, Wellmont and Mountain States plan to file applications for a Certificate of Public Advantage (COPA) with the Tennessee Department of Health and a cooperative agreement with the Southwest Virginia Health Authority in late January.

Should both states approve the applications and the merger becomes final, the state and commonwealth will supervise the new organization.

“That’s why we’re following the regulatory process,” Levine explained. “Federal law permits the supplanting of competition with regulation. As long as we’re being properly regulated by the state, we believe case law precedent in (U.S.) Supreme Court rulings will validate what we are trying to do ... They can’t do anything without the court. The FTC typically has to act through the courts so we would have our say in the courts and make our case. We’re following the law. We’re not close to the edge. We’re right in the middle ... If the COPA is violated, we would have to submit a plan for separation, and that would also subject us to FTC scrutiny at that point.”

Neither Wellmont nor Mountain States, Levine said, have to file any supporting merger documents with the federal government.

The two health care providers, he added, also feel any moves to change the law regulating mergers in Tennessee and Virginia will be turned away by the region’s state lawmakers.

Northeast Tennessee’s top lawmaker, Lt. Gov. Ron Ramsey, said he’s sold on the merger.

“My basic business sense is competition is good,” Ramsey, R-Blountville, said. “ ... Health care is controlled by the federal government and the insurance companies ... What really sold me was (East Tennessee State University President) Brian Noland and the research dollars he tells me can come here (as a result of the merger).”

The full pre-submission report can be viewed at www.BecomingBetterTogether.org.
Health care monopoly will be bad news for Tri-Cities

As a seasoned health care executive well into my fifth decade in the industry and currently leading delivery system reform initiatives in venues throughout the U.S., I read the column in last Sunday’s Times-News by Bill Greer, president of Milligan College, with keen interest.

Professor Greer is correct in stating this region is blessed with two extraordinary hospital systems, outstanding doctors and nurses, and well trained, quality health care workers. As a twodecade resident of Kingsport, having personally worked with and receiving care from this medical community, I can attest to that fact.

What is concerning, however, is his assurance that our marketplace can be very effectively protected through the COPA with active government oversight.

Active government oversight brought us Obamacare.

How’s that working out for you?

Do you like Obamacare? Were you able to keep your health plan? Were you able to keep your doctor? Are we comfortable having our health care in this region dictated to us by active government oversight?

What is needed in health care reform is free market competition. Competition is what made America great. It gives people choices and keeps costs lower. In the most recent reportable year, the average cost of health care in Kingsport was almost five percent lower than the national average; Johnson City was a bit higher than Kingsport, but still lower than the rest of the country.

Competition is working here. It’s doing what we expect should happen. Competition helps keep costs down because it allows people freedom of choice.

If you are unhappy with the services or prices, you just take your business elsewhere.

You can’t do that when a monopoly exists because all you have as choice is a single option.

Competition also stimulates creativity and innovation. Years ago, health care was all hospital-based. Surgery centers, imaging centers and urgent care centers were unheard of. Today, freestanding centers are in vogue; they provide better, people-friendly service quicker and at a lower cost.

What the COPA merger will do is create a monopoly led by politically connected power brokers. Monopolies lead to higher prices and lack of choice.

We now have a trauma center in two of the three Tri-Cities. How soon before monopolistic control will pare these down to one? Where will that one trauma center be located? Kingsport or Johnson City?

How soon before COPA monopolistic control by power brokers consolidates other services? Where will you have to go for heart care? For cancer care? For hip or knee surgery? To deliver your baby?
Will you be able to choose as you do now, or will you be told where to go by the merged COPA monopoly governed by power brokers in bed with the active government overseers? Will this monopoly lead to an exodus of doctors (your doctor) from our community, more lack of choice and higher prices?

For the sake of the people who live here and the doctors who have taken care of them for years, forego the monopoly and let competition thrive.

A. Walter Hankwitz, MBA, FACHE, CMPE, is president of Highlands Health Management Inc. of Kingsport.
COPA not filed yet in planned Mountain States-Wellmont merger

By: Lenny Cohen  
Posted: Feb 03, 2016 11:58 AM EST  
Updated: May 24, 2016 05:10 AM EDT

A step in the planned merger between Mountain States Health Alliance and Wellmont Health System is taking longer than both sides hoped.

On Jan. 7, the two companies announced they planned to file the Certificate of Public Advantage with both Tennessee and Virginia by the end of last month. That hasn't happened.

The COPA, as it's known, is the framework that'll guide price and government controls when the two companies become one.

Wednesday, Mountain States CEO Alan Levine told News 5 WCYB's Greg Richards that filing has not happened as of this point.

Levine said the companies hope to have it submitted sometime this month.

Health system officials have said this merger will help bolster the community, but some have concerns it might monopolize healthcare in our region by driving costs up and quality down.

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KINGSPORT — The Kingsport Chamber of Commerce promoted the ONEKingsport campaign and celebrated a great year for the community Friday night at the Kingsport Chamber’s 69th Annual Dinner. Another sold-out crowd of more than 1,700 people attended the “Social Event of the Year.”
As part of the celebration, the Kingsport Chamber showcased several community endeavors accomplished during 2015.

The OneKingsport initiative featured a two-day mayor’s summit with a goal of making Kingsport a place that is attracting and retaining new and existing residents, visitors, businesses and developers. The vision is to be the premier city to live, work and raise a family and for businesses to grow and prosper. The city is crafting a three- to five-year plan around seven key focus areas, which include arts and entertainment, downtown revitalization, housing, job creation/entrepreneurship, higher education innovation, destination city investments, and health and wellness.

Other highlights included:
• Eastman Chemical Co. nearing completion of its $74.3 million, 300,000-square-foot, five-story global corporate business center, the largest single building permit in city history. The facility is part of the company’s $1.6 billion Project Inspire initiative. The endeavor will culminate in Eastman’s 100th anniversary in 2020.
• During the year, Eastman was again recognized by the U.S. Environmental Protection Agency (EPA) with a 2015 ENERGY STAR® Partner of the Year — Sustained Excellence Award for the richness of the company’s energy management program and continued leadership in superior energy management.
• The announced merger of Wellmont Health System and Mountain States Health Alliance. The merger of the two hospital systems is awaiting approval in Tennessee and Virginia.
• Pure Foods, a nutritious snack and convenience food manufacturer, chose Kingsport for its new U.S. headquarters and manufacturing operations. Located on 35 acres in the Gateway Commerce Park at the interchange of Interstates 26 and 81, the 88,000-square-foot facility will serve markets primarily in the United States, Canada and Mexico. The announcement by the specialty snack food maker represents an investment of $22 million and the creation of 273 new jobs.
• The NETWORKS — Sullivan Partnership brought in 600 new jobs and $50 million in capital investment for the region.
• Kingsport was named as one of the Top 20 “Best Places To Start A Business” in Tennessee by Nerdwallet.com.
• The opening of the Kingsport Carousel, a vintage, menagerie-style carousel featuring 32 hand-carved wooden riding animals, two chariots, 24 hand-carved “sweep” animals in the carousel’s rafters and 24 rounding boards that feature painted pictures depicting Kingsport’s history and notable city sites.
• The opening of the $6.9 million Brickyard Park, a baseball and softball complex on the former General Shale site.
• New apartment development. Developer Mitch Cox began work on Riverbend Villa, a $20.4 million upscale residential and retail development behind Walmart on Fort Henry Drive. Riverbend Villa will feature a 265-unit apartment complex that is a medium-density, townhome style community with garages, a clubhouse, swimming pool, playground and dog park and will be located along the Holston River. Plans were also announced for Overlook at Indian Trail, a $17.6 million upscale apartment complex to be located behind Kmart on East Stone Drive. Developed by K.D. Moore, Overlook will feature 168 units and will offer a clubhouse, swimming pool, playground, garages, wellness center and community fireplace.
• Kingsport officials announced the city would create a new downtown park to commemorate the city’s centennial in 2017. To be located on Main Street in front of the former Kingsport Chamber building, Centennial Park will feature a circular history walk highlighting Kingsport’s history by decades, a fountain in the center of the park that could double as a play feature, a covered and permanent concert/event stage, and a...
viewing and dining deck on the loading dock that has a covered terrace and that will be next to the stage. The $2.4 million, 33,000-square-foot park will open in 2017.
• The Kingsport YMCA Wellmont Center completing a $3 million expansion.
• Kingsport sales and property tax revenues increasing, and the city paying off tax incentives for the East Stone Commons and Kingsport Pavilion shopping centers.
• The launch of Healthy Kingsport, a major, community-wide endeavor committed to helping people who live in Kingsport and Sullivan County make positive changes when it comes to their health.
• The Move To Kingsport program within the Kingsport Chamber welcomed 2,824 new family households to town with a $162 million impact on the community.
Eastman served as the dinner’s title sponsor and WJHL News Channel 11 was host sponsor. Holston Valley Medical Center was the entertainment sponsor, Eastman Credit Union served as concert hall and stage sponsor, Appalachian Power was the program sponsor, and Food City was the printing sponsor.
The Kingsport Chamber is a private, nonprofit business organization composed of nearly 1,000 members.
Firms affirm Mountain States’ credit rating, stable outlook

Johnson City Press
Feb. 6, 2016
Moody’s Investors Services recently released its most recent ratings update for Mountain States Health Alliance, affirming its Baa1 rating. The rating outlook remains stable, a trend uninterrupted for 10 years.

Since 2008, Moody’s has maintained a negative outlook for the not-for-profit hospital sector as a whole, revising its outlook to stable in August. In 2012, Moody’s downgraded a record $20 billion in not-for-profit hospital debt.

Even as the not-for-profit sector has seen such downgrades, however, Mountain States has reliably maintained its ongoing stability, generating favorable reports affirming its ratings and stable outlook each year, notwithstanding the incurrence of debt related to major investment in the region’s health care infrastructure.

In fact, the only rating change in the last 10 years has been an upgrade in 2007 to the current Baa1, today affirmed by Moody’s and paired with an ongoing stable outlook.

“We are grateful to Moody’s for its objective review of our operating performance,” said Mountain States President and CEO Alan Levine. “Our board and management team have been working together to help our system navigate a challenging time for hospitals.

“Our stable outlook continues a trend that has defied even Moody’s recently revised negative outlook on the not-for-profit hospital sector. We are proud that we have delivered uninterrupted results that our investors and bondholders have grown to rely upon.

“These results could not happen without incredible doctors and health care professionals absolutely dedicated to our patients and to our system’s success,” Levine added. “An increasing number of people are choosing our services because they know our team of doctors and health care professionals are experienced and can be trusted.”

In its report, Moody’s cited several strengths of Mountain States, including:

- Leading and growing market share.
- Improvement in operating margin in financial year 2015.
- Operating cash flow margin consistently strong given high depreciation.
- Strong cash on hand ... well exceeding the Baa1 median of 161.
- Strong management team and engaged board focused on growth and financial improvement with strategies that include increased productivity, managing labor and solidifying physician relations.

Moody’s cites that Mountain States Health Alliance has embarked on a strategy to pare back its debt, with a debt reduction plan approved by the board of directors in 2014.
As referenced by Moody’s, Mountain States incurred significant debt during a period of growth as several hospitals were acquired, new hospitals were built and major investment was made in existing facilities in communities throughout the region.

The major tranches of debt have been: an approximate $340 million related to the acquisition of the former Columbia/HCA hospitals in the region, $355 million invested in acquisition of additional community hospitals and subsequent replacement or capitalization of the hospitals and $300 million related to capitalization and investment into existing hospitals and services and investment in technology.

Even as significant debt reduction has taken place since 2014, Mountain States continues to invest in its assets, funding this investment through operating cash flow rather than borrowing. Mountain States has invested more than $110 million in capital since July 2014.

The significant investment in these community assets leads to higher depreciation expense. In addressing this expense, Moody’s cited strong operating cash flow margins, saying they are “consistently strong given high depreciation.”

“The board of directors of Mountain States is committed to reliable stewardship of these critical community assets,” said Chairwoman Barbara Allen. “We are proud of the consistent performance, which could not be possible without talented doctors and allied health professionals working in partnership with our leadership team.”

Mountain States Health Alliance and Wellmont Health System announced in April that they would explore a merger between the two systems.

The two systems recently announced that both boards of directors have authorized the execution of a definitive agreement and the submission of an application for regulatory approval in Tennessee and Virginia. The merger is expected to occur in late summer 2016.

To review the Moody’s Investors Services report, visit http://bit.ly/1TjDVbR.

Also, Standard and Poor’s Rating Services recently released its most recent ratings update for Mountain States Health Alliance, affirming its BBB+ rating.

The rating outlook remains stable, with commentary that continued positive operational and financial trends at Mountain States “would support favorable rating action” by the rating service.

The rating by Standard and Poor’s reflects, among other things, the rating agency’s view of Mountain States’:
• Excellent business position, characterized by solid demographics, robust market share and a broad range of services.
• Strong management and governance.
• Continued strong financial performance and solid liquidity based on days cash on hand.
• Disciplined capital spending in recent years supporting a reduction in leverage over time.
• Favorable record of integrating acquired facilities.
• Improvement in debt ratios.
• Stable to improving patient volumes.

In its report, Standard and Poor’s said it “views MSHA’s trends favorably, and, if sustained, we may raise the ratings in the future.

“In our view, MSHA generated solid operating performance in fiscal 2015, supported by solid patient volume growth and continuing improvement in the expense base largely through labor and supply cost management efforts,” the rating agency said.

Citing the continued operating challenges for hospitals posed by downward reimbursement pressure from government and commercial payers, the rating agency said, “in our view, MSHA’s leadership is capably managing these challenges.”

“The rating report from Standard and Poor’s is a very positive commentary on the operations of Mountain States Health Alliance, and we are grateful they recognize the financial stewardship and quality of our organization,” Levine said.

“Our doctors and health care professionals work hard every day to earn the trust of our patients and their families, and it shows in our results.”

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As referenced by the rating agency, Mountain States incurred significant debt during a period of growth as several hospitals were acquired, new hospitals were built and major investment was made in existing facilities in communities throughout the region.

Even as significant debt reduction has taken place since 2014, Mountain States continues to invest in its assets, funding this investment through operating cash flow rather than borrowing. Mountain States has invested more than $110 million in capital since July 2014.

Standard and Poor’s said that the proposed MSHA-Wellmont merger, if approved, “over time ... has the potential to create both operating and financial synergies. Additionally, we believe that, individually, MSHA’s operational and financial trends have demonstrated improvement over the past few years, and, if sustained, would support favorable rating action.”
The rating agency says they are unlikely to take favorable rating action until the merger is complete and there is demonstrated success in the integration of the two systems.

“We are pleased Standard and Poor’s has once again affirmed our creditworthiness as a major health system, and we remain committed to best practice governance, which works collaboratively with management to achieve solid financial and operating results,” Allen said.

“We are also glad that Standard and Poor’s recognizes the value of the proposed merger with Wellmont. We agree that successful integration is key, and we believe we have the experienced management team to make it happen.”
Mountain States and Wellmont to file necessary paperwork for merger this month

WJHL
Feb. 9, 2016
TRI-CITIES, TN/VA (WJHL)- The region’s largest healthcare systems says despite delays, they are moving forward with plans to merge in to one system.

Mountain States Health Alliance and Wellmont Health System announced last April they plan to merge.

The next step is to file a Certificate of Public Advantage or COPA with Virginia and Tennessee.

“We have a few more meetings to go as our board reviews the final information associated with that before we actually get ready to file that application, so were right on the heels of being ready to file those applications,” Bart Hove, President and CEO of Wellmont said.

“We expect, really hopeful by the end of this month if not before to have the definitive agreement signed and the Certificate of Public Advantage submitted to the state,” Alan Levine, President and CEO of Mountain States said.

Originally, the health systems’ leaders said they planned to file the paper work by the end of January.

“It’s a very sophisticated document that we will be submitting to the state, we want to be sure that the data is correct and so we’re going through the process of looking at it, reviewing it, re-reviewing it to make sure everything’s accurate,” Levine said.

The applications will initiate the state review process.

A Mountain States spokesperson said the merger process will extend throughout 2016.
Regulators’ role in proposed merger ramping up

Business Journal of Tri-Cities Tennessee/Virginia

Feb. 10, 2016

The face of health care in the greater Tri-Cities is taking on a distinctively state-regulated appearance as Mountain States Health Alliance and Wellmont Health System draw closer to applying to Tennessee and Virginia for approval of their proposed merger. Activity is ramping up at both states’ departments of health and attorney generals’ offices in anticipation of an activist state role in any merged system’s business.

You may not have heard of Malaka Watson, Jeff Ockerman or Erik Bodin, but they represent the changing face of health care in the Tri-Cities – despite the fact they work in Nashville and Richmond.

Their jobs? Craft regulation requiring any merged system to show the state:

- What it will spend, what it will charge and what it will earn;
- What it will do, how it will do it and how it will help consumers save money and get healthier; and
- How the change for the better system leaders say they’re creating will outweigh the harm done by the fact the state is allowing the formation of a virtual monopoly.

If a Certificate of Public Advantage (COPA) is granted in Tennessee, and a Cooperative Agreement in Virginia, it will come after exhaustive work by people such as Ockerman, a Tennessee Department of Health (DOH) policy planner; Watson, a Tennessee DOH attorney; and Bodin, the director of the Virginia Department of Health’s (VDH) Office of Licensure and Certification. Two essential components – consumer protection and the betterment of population health – form the pillars of their work.

“It’s definitely uncharted territory, and it’s something new for us as well as Tennessee and the hospital systems,” Watson, who drafted Tennessee’s emergency rules, said during a late December interview with the Business Journal that also included Ockerman. “We really are trying to take a sort of panoramic approach in terms of looking at it from all angles. Population health is obviously high on the list, but balancing that with the economics and how it will impact consumers is a high priority as well, so we’re trying to make sure we have the right resources to help us effectively evaluate the application once we receive it.”

Presub Graphics Wellmont and Mountain States are well past their initial target date (around Nov. 1, 2015) for filing a COPA application, likely owing to the endeavor’s complexity. They did, however, submit a 34-page “pre-submission report” Jan. 7. By Jan. 15, DOH had parsed it and responded with a letter containing six “observations” accompanied by department positions. Like the systems’ report, the observations ran the gamut from population health details and impacts on payers to one that stood out for its likely interest to area residents – and showed just how transparent the systems will have to be.

The observation notes “limited detail” of plans to reduce duplication of costs post-merger, including through job cuts. The department observes that most other hospital mergers result in a reduction of full-time equivalent positions, and says it needs additional detail. “Specifically,” the letter notes, “the department will require a good faith estimate of the number of full-time equivalent positions estimated to be eliminated each year, or if none, other plans to achieve stated efficiencies.”
Three primary tasks lie ahead of Watson, Bodin, Ockerman and their colleagues: making the rules governing a merger effective and defensible; helping their respective commissioners of health (John Dreyzehner in Tennessee and Marissa Levine in Virginia) determine whether the merger applications justify approval; and representing those commissioners in the “active state supervision” designed to protect the public and to make any merger hold up under judicial antitrust scrutiny. Both states specifically wrote or rewrote laws to allow for a merger with a clear eye toward previous federal interference (primarily from the Federal Trade Commission but also the Supreme Court) in previous mergers that reduced competition. Both states’ laws mention prominently a state policy to displace hospital competition with regulation, and actively supervise that regulation, “to promote cooperation and coordination among hospitals in the provision of health services and to provide state action immunity from federal and state antitrust law to the fullest extent possible to those hospitals...”

“The department understands the gravity of the changes that are occurring all over the country, in terms of healthcare organization and delivery of health care, and the financing environment of health care,” Ockerman said. “To take it down more to this regional level and whether approval of a COPA could strengthen the economic viability of these systems even though it weakens competition – ‘how does that end up working to the advantage of the public, especially in terms of improving population health?’ These are all questions that we have and are thinking about every day seriously.”

When Ockerman and Watson spoke with the Journal, a DOH team including planners, analysts and attorneys was in the middle of due diligence, preparing to move Tennessee’s rules from emergency to permanent status. The complexity of that task was highlighted by their acknowledgement they wouldn’t have time to respond to comments on the initial rules, draft proposed changes and hold hearings before the emergency rules expired Jan. 10. Yet with the hospital systems already well past their initial early November goal for COPA and Cooperative Agreement applications, DOH needed to keep the train on the track. So its rules became “permanent” Jan. 10, but will be subject to pending changes drafted by DOH personnel and possibly modified after public hearings.

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COPAs are rare birds but this one is unique

Given the American bias toward free markets, anti-competitive hospital system mergers as significant as a Wellmont-MSHA marriage are rare. COPA laws exist in a number of states but few COPAs actually have been granted (Tennessee’s law actually existed for years before the current situation, but had never been used). Those that have, DOH’s Ockerman said, have primarily addressed consumer protection. But those, including an oft-cited one from 1995 that allowed Mission and St. Joseph’s hospitals in the Asheville, N.C. market to merge, were primarily granted before healthcare reform brought a focus on improving population health.

“Population health and access to health services as well as the economic impact on the consumers are the three primary things,” Ockerman said. “There are potentially other areas of interest that will come up, but particularly from the Department of Health’s perspective, the health of the population in that region is of really primary concern to us, and if there’s a way that we can all help improve the health statistics in that area, we’d be happy to have that be the end result.”

To that end, the emergency rules have significant requirements regarding the creation of measures to “continuously evaluate the Public Advantage of the results of actions approved in the COPA.” Those include improvements in the population’s health that exceed measures of national and state
improvement. Similarly, the Virginia rules, which Gov. Terry McAuliffe signed into law Jan. 18, devote plenty of ink to population health. Virginia’s rules charge its health commissioner with developing the population health piece, both during selection of measures for reviewing the cooperative agreement’s proposed benefits, and during ongoing monitoring if a merger takes place. The chart on this page, which is included in the hospital systems’ pre-submission report, indicates the severity of the gap between Southwest Virginians’ population health and that of their fellow Virginians.

“Virginia has been working on ... a population health improvement plan,” Bodin said in a Feb. 3 interview. “One of the things we’re looking at is how we evaluate this cooperative agreement request, and the ongoing monitoring and performance, and aligning that with that plan to see if that provides us with an opportunity.”

As early as their April 2, 2015 announcement of a planned merger, Wellmont and Mountain States mentioned a population health element. Their Jan. 7 pre-submission report outlined a four-pronged approach in its “Commitment to Improve Community Health,” on which it pledged to spend at least $75 million over 10 years.

The focus areas include “ensuring strong starts for children” with programs designed to improve measures ranging from childhood obesity and neonatal abstinence syndrome to the number of children reading on grade level by third grade; “helping adults live well in the community” with focuses on diabetes, heart disease and several cancer types; “promoting a drug free community;” and “decreasing avoidable hospital visits and ER use” by helping “high-need, high-cost” uninsured people access care at earlier stages and reduce expensive critical care use.

Community health, in turn, is one of six key areas in the report, which hints strongly at what will go in the systems’ actual applications. Other areas are enhanced health services, expanded access and choice, investing in research, attracting and retaining a strong workforce, and improving healthcare value by managing quality, cost and services.

The document concludes with big vision statements and bold claims, including that savings from reduced service duplication and improved coordination will produce annual spending designed to improve public health equivalent to the capability of a $750 million foundation. New services and capabilities, improved choice and access, managed costs and investment in addressing the region’s economic development and its most vexing health problems – all are promised results of the merger.

On the Tennessee side, DOH wants to be sure the final application (the systems’ letter of intent to file expires March 15) includes sufficient details in all aspects. In addition to its position on job reductions, the department’s other observations highlight just how activist the state will be should a merger occur. One relates to regional health and population health disparities, calling for, “granular detail” about “factors that influence the health and health disparities of counties, communities, and groups within them, particularly as it relates to the applicants’ current assessment of existing trends and long-term population health outcomes.”

The letter, signed by Allison Thigpen of the Division of Health Planning, acknowledges the systems may plan to address each observation in their final application, but wanted to alert them, “in the event you had not anticipated and addressed them in the application.”
In October 2014, Virginia Secretary of Health and Human Resources Dr. Bill Hazel addressed the changes in healthcare market dynamics, and how they might relate to a local merger request during an interview with the Business Journal. His words, which also touched on population health, seem prescient today.

“I think it probably is a reach to say the markets are working real well in health care right now, so it would not be unusual to say, then, ‘well what are our other choices?’ In Virginia we are typically market/competitive-based and that’s what I think the General Assembly thrives on. So just guessing, it would be an interesting argument to make that we should substitute a market-based economy, or a perceived market-based economy, with one that is highly regulated.”

It’s an argument Hazel’s Virginia counterpart Bodin will have a major hand in deciding.

“That’s the whole balancing act,” Bodin said. “Do the benefits afforded to the citizens outweigh the disadvantages that the loss of competition presents? In a nutshell, that’s one of the biggest evaluation points.”
Holston Medical Group staying patient

The Business Journal of Tri-Cities Tennessee/Virginia
Feb. 10, 2016

Holston Medical Group will be impacted greatly by whatever decision the states of Virginia and Tennessee make regarding the Mountain States-Wellmont proposed merger. To date, however, HMG has not spoken with either state formally, choosing to wait and see what the hospital groups will say in their COPA requests.

That fact doesn’t mean HMG is unconcerned. “We have the same concerns I think everybody has,” CEO Scott Fowler told The Business Journal in late January. “How do we protect this incredible investment the community has made in its hospital systems? I think the Wellmont Foundation is $400 million of community money. The hospitals are the place where health care has been invested in by the community. So we want the hospitals inside our environment to be strong and stable.

“The hospitals have said, ‘We need to merge because it’s our only real chance of viability,’” Fowler continued. “We’re for that if it can still be done while managing the change to value. We’re waiting to see what that means in terms of what they’re willing to do.”

Fowler says part of the reason both systems spent in ways that made little long-term sense in the past was the fact they had money to spend. A merged company, he says, will have the ability to borrow even more. “We don’t want to see this become an extension of what we had, just getting access to more capital to control markets. Hopefully the government will manage that.

“We have a great amount of faith in both the willingness to do the right thing by Alan Levine and Bart Hove, and trying to figure out how to do this,” Fowler said. “But they have their primary obligation to keep those hospital systems strong and basically in control of the environment.” And while HMG has no formal place at the table, Fowler said, both systems have had C-level discussions with him. “We have been working back and forth. There are two key components for us. One is the absolute unrestricted, unblocked access to the data we need to take care of patients. This business about not sharing data with doctors in order to somehow protect the patient—that doesn’t fly. They have given reassurance we will have access to that data after the merger.

“The second thing is, as we move from the model where the hospital is the center of the universe to a more integrated model of care, we have to have the ability to do outpatient things that we currently can’t do under the Certificate of Need (CON) law. In our region, for instance, there are virtually no outpatient surgery centers that are not controlled by hospitals. We need control of outpatient services in order to balance things. The hospitals are very aggressive if we try to get a CON. They say it’s not needed. Those are the two things we have stood on.
“We want the ability to compete with them,” Fowler said, “especially in those areas where their monopoly gives them a lot of power, but there’s not a reason to have a monopoly, like outpatient services or physician services. We’re not asking for a guaranteed advantage, but we should certainly be allowed to compete.”
KINGSPORT, Tenn. — Those working toward a merger of the region’s two health systems plan to propose a cap on rates, a Mountain States Health Alliance official said Friday.

“We are proposing the new health system put a rate cap on prices,” said Marvin Eichorn, chief operating officer of MSHA. “That [rate cap] will be in effect the whole term the COPA [certificate of public advantage] is in effect. In addition to that, we are also going to reduce our prices the first full year after the merger is completed.”

Eichorn and Bart Hove, CEO of Wellmont Health System, gave an update on the merger process during a legislative breakfast held Friday at MeadowView Conference Center in Kingsport.

In April 2015, the two health systems announced they were working toward merging their combined 19 hospitals and other health care facilities in Southwest Virginia and Northeast Tennessee.

A certificate of public advantage in Tennessee and a similar cooperative agreement process in Virginia would allow the systems to merge, with the states supervising the proposed health system.

The pre-submission report, which both said was a huge undertaking, was filed about seven weeks ago, while the applications to Virginia and Tennessee are expected next week, they said.

“After that happens, it’s going to take a while for the states to go through those applications,” Eichorn said.

Since 2010, more than 60 rural hospitals across the nation have closed and hundreds of local hospitals have been acquired by large multi-state health systems or for-profit health care companies. Hove said that’s a prime reason why the two systems are working to merge.

“There will be a reduction of over $450 billion in health care expenditures over the next 10 years,” he said. “That’s one reason the boards of Wellmont Health System and Mountain States Health Alliance had the forethought to make the right decision to merge our organizations together to maintain local control of our health system.”

Hove added that those working toward the merger have worked with legislators to ensure the longevity of the health care system.
“It’s been a real challenge with a lot of changes, but in six weeks it will be a year since we made the announcement about the merger. A tremendous amount of work has gone on in order to be able to file an application to merge the organizations together,” he said.

And he added there’s much work left to be done.

The new system would employ more than 14,000.

“We’re really trying to create something new for our community,” Eichorn said. “This isn’t Mountain States and this isn’t Wellmont — it’s going to be something new and exciting that we can be proud of.”
Ramsey: Voucher legislation lacks votes to pass
Kingsport Times-News
Feb. 12, 2016
KINGSPORT — Tennessee Lt. Gov. Ron Ramsey said Friday that legislation to issue school vouchers in Tennessee is close to passing — but not close enough.

“They don’t have 50 votes in the House. It’s that simple,” Ramsey, R-Blountville, said of the voucher bill that has passed in the state Senate but stalled Thursday in the House.

State Rep. Bill Dunn, R-Knoxville, admitted during Thursday’s House session that his voucher bill did not have the votes to pass.

Dunn has laid the bill on the table, which could come back up for a vote with majority approval of House members, according to House Clerk Joe McCord.

Ramsey, at Friday’s Regional Legislative Breakfast, noted the bill has been amended to affect only the Memphis area.

“It’s my understanding they have 47, 48 votes and they need 50,” Ramsey said of Dunn’s bill, which is opposed by the Tennessee Education Association. “It would not affect Northeast Tennessee. It only goes to places where people don’t like the public school system.”

During the breakfast, attended by about 180 business leaders and elected officials, Ramsey pitched Gov. Bill Haslam’s $34.8 billion budget proposal calling for $261 million in new dollars for Tennessee public education, including $104.6 million for teacher salaries. The governor’s proposal also includes $60 million for salary increases for state employees and another $36 million for market rate adjustments for state employees making less than $50,000 annually.

Ramsey also advocated so-called “Focus” legislation to create a local board for East Tennessee State University and other Board of Regents institutions.

Next to speak at the breakfast was state Rep. Jon Lundberg, who touted the General Assembly’s thumbs-up vote on a constitutional amendment calling for appellate judges to be appointed by the governor and confirmed by the legislature. The voters of Tennessee then retain the ability to remove judges at the end of their 8-year terms.

Appellate judges are often in the running for Tennessee Supreme Court vacancies. On January 7, Haslam appointed Criminal Appeals Judge Roger Page of Jackson to the Tennessee Supreme Court, replacing Justice Gary Wade, who retired in September.

Lundberg, R-Bristol, was the House sponsor of the legislative measure.

“Most of you probably don’t know the Supreme Court justices,” Lundberg said. “It’s not an issue that made a lot of headlines in the newspaper. It’s not a sexy issue, but it’s a business
issue. ... We don’t want activists on the court. ... We want a court that is understanding of the issues.”

After Lundberg’s talk, state Rep. Timothy Hill spoke about his successful bid to become House majority whip. He replaced state Rep. Jeremy Durham, R-Franklin, who left the post amid allegations he had an affair with a GOP state lawmaker last year.

“Somebody asked me, ‘Do you get paid extra (for being House majority whip)?’ The answer is no,” Hill, R-Blountville, said.

Speaking after Hill was state Rep. Bud Hulsey, R-Kingsport, who entertained the crowd with a series of one-liners.

“I have crafted some very great bills, and they have never made it out of committee,” Hulsey joked.

Newly appointed state Rep. Gary Hicks, R-Rogersville, noted he views his role as to help kill “a lot of crazy” legislation.

“I picked up on that real quick,” said the first-year lawmaker, who had served on the Hawkins County Commission before being appointed to replace state Rep. Mike Harrison.

Ending the breakfast was an update on the Wellmont Health System-Mountain States Health Alliance merger announced nearly a year ago.

Wellmont Health System President and CEO Bart Hove pointed to President Obama’s budget proposal to reduce health care spending by $450 billion over 10 years as a good reason for the merger.

“That is a prime example why we made the right decision to maintain local control of our health care system,” Hove said.

The event was hosted by the Kingsport, Bristol and Johnson City Chambers of Commerce and the Tennessee Chamber of Commerce and Industry.
JOHNSON CITY, Tenn. — Tennessee and Virginia regulators will decide whether to permit a merger of the Mountain Empire’s two dominant health care systems after receiving applications Tuesday.

Wellmont Health System and Mountain States Health Alliance announced Tuesday that they have filed applications for a Certificate of Public Advantage in Tennessee and a cooperative agreement in Virginia that would enable the two organizations to create a new health system in the region.

The Tennessee Department of Health and the Southwest Virginia Health Authority confirmed they received the applications on Tuesday.

Both applications include a copy of the definitive agreement between the two health systems, which was unanimously approved by the boards of both organizations and signed on Monday by Roger Leonard, chairman of the Wellmont board of directors; Barbara Allen, chairwoman of the Mountain States board of directors; Bart Hove, president and CEO of Wellmont; and Alan Levine, president and CEO of Mountain States.

Hove and Levine held a news conference Tuesday afternoon at MSHA headquarters in Johnson City. The definitive agreement is a binding legal document that outlines how the two health systems would unite their operations upon approval by the states.

“Both states are extremely interested in the prospects of the merger taking shape,” Hove said.

The states are especially interested in the possibility of raising the level of health care in the region, said Hove, who specifically mentioned obesity and cancer.

In April 2015, MSHA and Wellmont officials announced they were working toward merging their hospitals and other health care facilities in Southwest Virginia and Northeast Tennessee.

In compliance with state laws, TDH Commissioner John Dreyzehner will review all submitted COPA application materials. When the application is determined to be complete, a 120-day review period will commence, allowing the department to evaluate possible benefits and disadvantages of a cooperative agreement to merge, including how the proposed changes would affect overall population health in the service area, health care quality and availability and costs of services.

“The application has been submitted, and the authority will now begin the process of determining whether the application is complete,” said Delegate Terry Kilgore, chairman of the Southwest Virginia Health Authority. “Once the application is deemed complete, it will officially be received by the authority and the process of reviewing and commenting on the application will begin in earnest.”

There is a 150-day review period in Virginia.

A number of public meetings are planned in Tennessee and Virginia.
The two systems have worked extensively together over the last year in preparing the applications, reviewing everything from economics to Supreme Court case law, Levine said.

“An awful lot has been happening over the course of the last year,” he added.

Levine and Hove said they believe the two states will thoroughly review the applications.

“The reality is, two small systems like ours, staying independent, is very unlikely over the next two or three years,” Levine said.

He believes that if the two systems successfully merge, other health-care providers will use the merger as a model.

The combination of the two systems would decrease costs, rather than increase costs, said Levine, who noted that the states will likely take that into consideration.

The two companies cannot yet begin determining what services could possibly overlap or become redundant as a result of a merger. But Levine said the merger could potentially also create new jobs and investment. He noted that a new regional addiction recovery center, which is proposed, would add new jobs.

“If there was no merger, there would be fewer people working for us,” Levine said.

User rates of the two systems are decreasing, the CEOs said, which Levine added is a reason the merger makes sense.

Levine said a name for the new organization has not been determined, but it’s unlikely that the names Wellmont and Mountain State Health Alliance would be used.

“This is going to be a new organization with a new name,” Hove said.

In addition to the two state health departments, the merger also depends on approval from the Federal Trade Commission, Levine said.

“No one can predict what the FTC will or won’t do,” he added.

The CEOs noted that although the systems have a majority of inpatient care in the region, they hold a combined minority in outpatient care. Outpatient care in the region will remain competitive, Levine said.

Levine and Hove said they believe they have support from both states, business leaders and the public. In Tennessee, the first public meeting will be held in Elizabethton. An advisory group listening session is scheduled on March 22 at 5:30 p.m. at the Carter County Health Department.
Wellmont, Mountain States file requests for merger approval
Johnson City Press
Feb. 16, 2016

The region’s two major health systems submitted their plans to merge to state officials Tuesday, revealing more details about the new company they hope to create.

In their applications for regulatory approval, asking for a certificate of public advantage, or COPA, in Tennessee and a cooperative agreement in Virginia, Wellmont Health System and Mountain States Health Alliance discussed more candidly how the systems would jointly manage their facilities and staff, should the merger go forward.

The systems previously filed a pre-submission report to both states’ departments of health, in which they pledged to keep all current hospitals in operation as health care institutions for at least five years, and vowed to maintain the three major tertiary care hospitals in Bristol, Kingsport and Johnson City.

In the new application, the systems agreed to an alignment policy governing the consolidation of clinical facilities and services by the future board of directors.

Under the proposed policy, if a management-proposed consolidation results in depriving the community of a service, an integration committee appointed by the board of directors would evaluate the proposal before a recommendation to the full board. For two years after the merger, such consolidations would require a two-thirds majority of the board to be put into effect.

“We have defined a policy for how we approach finding synergies and consolidations, and our leadership wants to do what’s best for the communities we serve,” Mountain States CEO Alan Levine said during a press conference to announce the filing. “We’re eliminating duplication, but we’re also investing in opportunity.”

The COPA document identifies clinical opportunities for cost saving, including consolidation of the area’s two Level I Trauma Centers — one at Wellmont’s Holston Valley Medical Center and one at Mountain States’ Johnson City Medical Center — consolidation of specialty pediatric services and certain outpatient facilities in the same communities, and repurposing duplicative acute care beds.

The savings estimated by the system by eliminating clinical duplication is $26 million annually, according to the documents.

Partially answering a question posed by Tennessee regulators after the systems filed their intent to apply for antitrust approval last month, the document affirmed that “the New Health System intends to offer all current employees of Wellmont and Mountain States comparable positions within the New Health System,” but said over time, including through attrition, the system will “reduce duplication, overtime and other premium labor costs.”

The document estimates $25 million in labor cost savings annually as a result of the merger, which leaders say could be reinvested into the commitments to public health and education improvements outlined in the document last month.
“While national trends in health care will apply in this region and could negatively impact the workforce over time, the Parties strongly believe the net effect of the merger on the health care workforce in the region will be positive rather than negative,” the authors wrote.

The COPA application reiterated the systems’ pledge of at least $450 million over 10 years to create and improve existing programs to reduce infant ailments, overprescription of painkillers and avoidable hospital admission and emergency room use; add capacity for addiction recovery services, mental health resources and development of pediatric specialty centers and emergency rooms in Kingsport and Bristol; and to create research facilities and opportunities tied to the region’s medical colleges.

Levine said both systems have followed applicable laws and precedent, and he is confident the merger will receive the approval sought from the states to avoid federal scrutiny.

“From what we’ve seen in the cases the (Federal Trade Commission) inserted themselves, their argument mainly is an increase in costs,” Levine said. “It’s hard to say with any credibility that our model will increase costs, when in fact, it will decrease costs.”

After the merger’s first full year, the insurance companies holding contracts with the previously existing systems will receive a 50 percent decrease in the agreed-upon increases for service in their contracts. Each year after, fees for service increases will be capped at the average rate of increase calculated by the CPI, minus .25 percent. Increases in rates for physicians and non-hospital outpatient services will be similarly capped.

According to the timetable established by the application, a public comment and consideration process has started, lasting 120 days in Tennessee and 150 days in Virginia.

If the merger is approved, Levine said it could be finalized by as early as late this summer.
NASHVILLE — The Tennessee Department of Health (TDH) confirmed on Tuesday it has received an application for a Certificate of Public Advantage (COPA) from both Mountain States Health Alliance and Wellmont Health System.

The two hospital systems announced their intention to merge their assets in Northeast Tennessee and Southwest Virginia last year.

In their filing with the state of Tennessee, the two systems pledged over a 10-year period to invest not less than $75 million in population health improvements, $140 million to expand mental health, and $85 million to develop and grow academic and research opportunities, plus about $150 million to improve regional exchange of health information.

They also pledged the merged system will keep all of its hospitals in the region open for five years.

The application also included several letters of support from community and business leaders.

TDH said the purpose of Tennessee’s COPA is to protect the interests of the public in the region and the state. The COPA application is a prerequisite to considering active state supervision of the merger. Both systems also said they have filed an application for a cooperative agreement with the Southwest Virginia Health Authority.

In a joint release, the two hospital systems said they expect the process to extend into the late summer of 2016 but that it may take longer depending on the review processes in both states.

In Tennessee, TDH Commissioner John Dreyzehner is charged with reviewing COPA application materials.

When the application is determined to be complete, TDH said a 120-day review period will commence, allowing the department to evaluate possible benefits and disadvantages of a cooperative agreement to merge, including how the proposed changes would affect overall population health in the service area, health care quality and availability and costs of services.

The review, TDH added, will also assess any likely adverse impacts from the reduction in competition caused by the proposed merger.

TDH also noted the Tennessee Attorney General’s office will also be reviewing the proposed transaction. The COPA will be denied or terminated if the state determines benefits of the agreement fail to clearly and convicingly outweigh any disadvantages attributed to a potential reduction in competition, according to TDH.

All interested stakeholders will have opportunities to provide input in writing, by email or in person on whether the COPA should be issued. Written comments may be submitted to tn.health@tn.gov or Tennessee Department of Health – COPA; 710 James Robertson Parkway; Nashville, TN 37243. Listening sessions will be conducted by a COPA Index Advisory Group, whose members were chosen.
from the area that will be most affected by the proposed merger. To assure all stakeholders have a voice, the listening sessions will each have different primary areas of focus, according to TDH.

Dates, times and locations for the public meetings are:

- Advisory Group Listening Session #1 For any members of the general public: Tuesday, March 22, 5:30 p.m. – 7:30 p.m., Carter County Health Department, 403 East G Street, Elizabethton.
- Advisory Group Listening Session #2 For internal stakeholders, including employees, contractors, vendors, staff clinicians and others who currently work with Mountain States Health Alliance or Wellmont Health System: Tuesday, March 29, 5:30 p.m. - 7:30 p.m., Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville.
- Advisory Group Listening Session #3 For any members of the general public: Tuesday, April 5, 5:30 p.m. – 7:30 p.m., Holston Electric Cooperative, 1200 West Main Street, Rogersville.
- Advisory Group Listening Session #4 For external stakeholders, including competing health care providers, non-staff clinicians, payers (including self-insured employers), government agencies and non-profits: Tuesday, April 19, 5:30 p.m. – 7:30 p.m., Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville.
- Advisory Group Listening Session #5 For the general public and all stakeholders; during this meeting the Advisory Group will present the proposed COPA index and receive comments: Tuesday, May 17, 5:30 p.m. – 7:30 p.m., Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville.

TDH will also hold a public hearing to provide input on whether the COPA should be issued: Tuesday, June 7, 5:30 p.m. – 7:30 p.m., Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville.

TDH said its supervision will go by a transparent index of measures designed specifically for this COPA that will include measures of population health, access to health services, economic and other factors. To view the submitted application and other related matters, go to: http://tn.gov/health/article/certificate-of-public-advantage.

TDH also pointed out the Federal Trade Commission has authority to ensure the merger's compliance with federal laws.

For more go to www.becomingbettertogether.org.
Virginia and Tennessee regulators will decide whether to permit a merger of the two competing health systems that dominate the region where the states meet.

Mountain States Health Alliance and Wellmont Health System on Tuesday filed separate applications with both states, claiming changes in the health care industry have made it difficult for either to survive without a partner.

Headquarters for both systems are in Tennessee, as are their flagship hospitals: Bristol Regional, Holston Valley and Johnson City. Five of Mountain States’ 13 hospitals and two of Wellmont’s five are in Virginia. Many of Wellmont’s community hospitals average fewer than 10 inpatients a day. Mountain States’ community hospitals have a daily census of fewer than 65 patients and two, Dickenson and Johnson County, don’t have inpatients every day.

In addition to filing the applications, the health systems added three community members to its 13-member joint task force, which had been composed solely of the hospitals’ leadership. Only one of the 16 task force members lives in Virginia.

The two systems pledged to spend $450 million over the next decade improving the health of the people of far Southwest Virginia and eastern Tennessee.

Each state will determine whether the merger benefits patients or will result in a monopoly that controls both access and the cost of health care. The health systems made their case in a 2,500-page application that other competitors exist in the region, that they would not seek exclusivity and that they would welcome price control oversight.

In Virginia, the Southwestern Virginia Health Authority will review the application and then make a recommendation to the health commissioner.
Two competing health systems in northeast Tennessee are looking for state approval of a merger that would establish a single operation, which, according to their leaders, is the best way for the two to navigate a challenging health care environment.

Wellmont Health System and Mountain States Health Alliance, each a not-for-profit system with a regional footprint, filed Tuesday for a certificate of public advantage, or COPA, from the Tennessee Department of Health. Their headquarters are about 25 miles apart: Wellmont is based in Kingsport, and Mountain States is based in Johnson City.

The 2,578-page filing addresses how the two systems plan to integrate facilities, why the merger is necessary and how operating as one entity will benefit the people in northeast Tennessee, Virginia, Kentucky and North Carolina.

The proposed merger has raised concerns from an insurance group and some patient advocates about whether prices would increase, as well as to questions about potential layoffs as the two systems integrate their facilities. The executives of each pointed out that in outpatient areas, such as home health, combined entity would not have the greatest market share, allowing for competition.

Alan Levine, president and CEO of Mountain States, said many of the pressures, such as shrinking Medicare payments, and a shift in care that focuses on overall patient well-being are out of the control of the hospitals — and that teaming up locally would benefit the communities in the long term.

"We're already facing a scenario where we have to reduce the cost structure of our system because we're getting paid less," Levine said.

Even if the merger does not go through, both Levine and Bart Hove, president and CEO of Wellmont, expect their systems to merge with an outside hospital operator in the coming years.

"The reality is two small systems like ours staying independent is very unlikely over the next two to three years," said Levine, who would be executive chairman and president of the combined entity.

The CEOs of the hospitals said that coming together is the best way to pursue better outcomes and a wider array of specialties for patients.

Hospitals and provider groups are trying to be responsive to consumer demands to make care more readily accessible. In a combined system, patients would have more options on where to see a provider, while providers could be more flexible about their locations.

The state governments will review the COPA filing and potentially ask Mountain States and Wellmont for more information. Once the application is deemed complete, Tennessee and Virginia will have 120 and 150 days, respectively, to approve or reject the proposal.
The executives, whose companies still operate as independent and competing systems, are optimistic that they will get the chance to integrate, and potentially serve as a template for other rural and community hospitals who are looking for a way forward.

"We will be an example of how to approach the changing health care environment that we're in," said Hove, who would be the CEO of the combined system.
All interested stakeholders will have opportunities to provide input in writing, by email or in person on whether the Certificate of Public Advantage (COPA) should be issued regarding the proposed Mountain States Health Alliance and Wellmont Health System merger.

Written comments may be submitted to tn.health@tn.gov or Tennessee Department of Health -- COPA, 710 James Robertson Parkway, Nashville, TN 37243.

Listening sessions will be conducted by a COPA Index Advisory Group, whose members were chosen from the area that will be most affected by the proposed merger. To assure all stakeholders have a voice, the listening sessions will each have different primary areas of focus.

Dates, times and locations for the public meetings are:

- Advisory Group Listening Session No. 1, for any members of the general public: March 22, 5:30 - 7:30 p.m., Carter County Health Department, 403 E. G Street, Elizabethton;
- Advisory Group Listening Session No. 2, for internal stakeholders, including employees, contractors, vendors, staff clinicians and others who currently work with Mountain States Health Alliance or Wellmont Health System: March 29, 5:30 -- 7:30 p.m., Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville;
- Advisory Group Listening Session No. 3, for any members of the general public: April 5, 5:30 -- 7:30 p.m., Holston Electric Cooperative, 1200 W. Main St., Rogersville;
- Advisory Group Listening Session No. 4, for external stakeholders, including competing health care providers, non-staff clinicians, payers (including self-insured employers), government agencies and non-profits: April 19, 5:30 -- 7:30 p.m., Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville;
- Advisory Group Listening Session No. 5, for the general public and all stakeholders (during this meeting the Advisory Group will present the proposed COPA index and receive comments): May 17, 5:30 -- 7:30 p.m., Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville; and
- Tennessee Department of Health Public Hearing, for the general public and all stakeholders to provide input on whether the COPA should be issued: June 7, 5:30 -- 7:30 p.m., Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville.
The region’s two leading hospital systems have taken another step further toward merging.

On Tuesday, officials with Mountain States Health Alliance, based in Johnson City, and the Kingsport-based Wellmont Health System announced that they have signed an agreement for their proposed merger, which was announced last spring.

Before such a union can happen, however, the details of the merger plans must be considered and approved by the states of Tennessee and Virginia, since the health systems own and operate facilities in both states. The Federal Trade Commission could also decide to challenge the merger.

During a joint news conference on Tuesday afternoon, leaders of the regional health systems said that they have filed applications for a Certificate of Public Advantage (COPA) in Tennessee and a cooperative agreement in Virginia.

The Tennessee Department of Health confirmed on Tuesday that it had received a COPA application from the the two hospital systems.

Once the applications are deemed complete, Tennessee and Virginia will have 120 and 150 days, respectively, to approve or reject the proposal, officials say.

According to a news release from Tennessee’s state health department, the purpose of the evaluation period is to consider “possible benefits and disadvantages of a cooperative agreement to merge, including how the proposed changes would affect overall population health in the service area, health care quality and availability and costs of service.

"The review will also assess any likely adverse impacts from the reduction in competition causes by the proposed merger," the release adds.

Critics of the proposed merger between the two competing hospital systems say they are concerned that it could result in increased health care costs for the region.

Other critics have also expressed concerns that the merger could result in worker lay-offs within the two systems.

Leaders with both health systems say they feel that the merger would actually help decrease health costs for businesses and paying customers.

According to the health systems’ leaders, working together as one entity -- instead of competing as two -- is the best approach toward staying viable in what they described as the challenging business of providing health care to one of the poorest and unhealthiest regions in the U.S.

As part of their merger plans, they said wellness and preventive care initiatives have been developed to not only help curb rising costs, but also improve health outcomes among patients in the region, which has among the highest rates of obesity and substance abuse in the nation.
Mountain States' president and CEO Alan Levine said many health care industry challenges, such as shrinking Medicare payments, and a shift in care that focuses on overall patient well-being, are out of the control of the hospitals -- and that teaming up locally would benefit the communities in the long term.

"We're already facing a scenario where we have to reduce the cost structure of our system because we're getting paid less," Levine said.

Without the merger, both Levine and Bart Hove, president and CEO of Wellmont, say they fully expect that their health systems would be forced to merge with another outside hospital system at some point in the future.

"The reality is two small systems like ours staying independent is very unlikely over the next two to three years," Levine said.

The health system leaders say they feel positive about the potential merger, which they say could be a precedent-setting move for other small, rural areas around the nation.

"We will be an example of how to approach the changing health care environment that we're in," Hove said.
The Wellmont and Mountain States merger plan reached a significant milestone Tuesday when the health care systems filed applications in Virginia and Tennessee asking for state approval for the two former rivals to unite.

“The merger of Wellmont and Mountain States is a unique opportunity to create a long-lasting legacy of improved health for this region with positive effects on the local economy,” the two systems said in the cooperative agreement and application filed with the Southwest Virginia Health Authority and the Tennessee Department of Health.

In interviews Tuesday, Wellmont president and CEO Bart Hove and his Mountain States counterpart Alan Levine stressed that the two systems have strived to make the merger process transparent since intentions were announced last April.

The two also said there is a “lot of support” for the merger from the business community, including such large regional employers as Eastman and Food City as well as banks, small businesses and chambers of commerce.

The filings mark the start of Virginia and Tennessee regulators’ formal review phase. Wellmont and Mountain States said in a press release that the process could extend into the late summer of this year at least.

According to the application, the two systems’ Virginia and Tennessee geographic service area has a total population of more than 960,000 people and also draws patients from Kentucky and North Carolina.

Wellmont and Mountain States “believe that this merger is the only model that effectively maintains local governance, provides a unique opportunity to sustain and integrate health care delivery for residents into a high quality and cost-effective system, provides an enforceable commitment to limit pricing growth, keeps hundreds of millions of dollars in the region, and invests those dollars in the improved health of this region while also preserving local jobs,” the two applicants say.

Merger goals are to reduce cost growth, improve the quality of health care services and access to care, including the patient experience of care, and enhance overall community health in the region, the two systems say.

Wellmont and Mountain States say the savings realized through the merger by reducing duplication and improving coordination will remain within the region and be reinvested in ways that significantly benefit the community through the addition of new services and capabilities, improved choice and access, effective management of costs and investment in improving the quality of health care and economic development in the region.

All of these investments will be devoted to Southwest Virginia and Northeast Tennessee to focus on improving the health of this region’s residents and the economy of its communities, the two say.
Wellmont and Mountain States say in the applications that they are committed to creating a new integrated delivery system designed to significantly enhance community health through the investment of not less than $75 million over 10 years in population health improvement.

The 10-year action plan includes:

• Ensuring strong starts for children by investing in programs to reduce the incidence of low birth weight babies and neonatal abstinence syndrome in the region, decreasing the prevalence of childhood obesity and Type 2 diabetes, improving the management of childhood diabetes and increasing the percentage of children in third grade reading at grade level.

• Helping adults live well in the community by investing in programs that decrease premature mortality from diabetes, cardiovascular disease, and breast, cervical, colorectal and lung cancer.

• Promoting a drug-free community by investing in programs that prevent the use of controlled substances in youth and teens (including tobacco), reduce the over-prescription of painkillers, and provide crisis management and residential treatment with community-based support for individuals addicted to drugs and alcohol.

• Decreasing avoidable hospital admission and ER use by connecting high-need, high-cost uninsured individuals in the community to the care and services needed by investing in intensive case management support and primary care, and leveraging additional investments in behavioral health crisis management, residential addiction treatment and intensive outpatient treatment services.

“Southwest Virginia and Northeast Tennessee disproportionately suffer from serious health issues,” the applicants say. “The cost of this poor health is not sustainable. This region is a unique geographic area that requires a unique solution. With the approvals of Virginia and Tennessee under the state agreements, savings realized by reducing duplication and improving coordination will remain within the region and be reinvested in ways that substantially benefit the community. These benefits will include new services and capabilities, improved choice and access, more effective management of health care costs, and strategic investments to address the region’s most vexing health problems while spurring its economic development.”

The applicants also reiterate their commitment to keep existing hospitals open for at least five years:

“All hospitals in operation at the effective date of the merger will remain operational as clinical and health care institutions for at least five years,” according to the applications. “After this time, the New Health System will continue to provide access to health care services in the community, which may include continued operation of the hospital, new services as defined by the New Health System, and continued investment in health care and preventive services based on the demonstrated need of the community. The New Health System may adjust scope of services or repurpose hospital facilities. No such commitment currently exists to keep rural institutions open.”

“New Health System” is the name being used while the merger process continues. A name for the merged systems has not been decided.

The definitive agreement, which is included with the state applications, was unanimously approved by the Wellmont and Mountain States boards, the two said in Tuesday’s press release.
JOHNSON CITY, Tenn. (AP) — Two competing health systems in northeast Tennessee are looking for state approval of a merger that would establish a single operation.

Media report that Mountain States Health Alliance and Wellmont Health System filed Tuesday for a certificate of public advantage from the Tennessee Department of Health.

The two health systems' headquarters are about 25 miles apart: Wellmont is based in Kingsport, and Mountain States is based in Johnson City. Both had announced their intention to merge their assets last year, saying becoming one entity will benefit the people in northeast Tennessee, Virginia, Kentucky and North Carolina.

The companies have pledged to keep all of their hospitals in the region open for five years.

Both Virginia and Tennessee have to approve the merger.
The proposed merger between Wellmont and Mountain States is likely to generate growth and new opportunities for employees, the two health systems say.

The two also stressed again that all hospitals that are now operating will remain open for at least five years after the merger’s effective date.

Wellmont and Mountain States responded via email to questions submitted by The Post following Tuesday’s press conference.

Responding to a question about possible merger effects on employment at local hospitals, the systems said that “certain positions throughout our organizations will be impacted by the proposed merger and some reorganization will be needed.”

However, “the likelihood of growth and new opportunity for all of our employees is much stronger as a merged organization.”

Investments the systems have committed to making if the merger is approved will create new opportunities that will support the regional economy, and those opportunities “simply wouldn’t exist without this proposed merger.”

Wellmont and Mountain States believe the merger will achieve “necessary organizational efficiency through attrition over time, rather than through an initial reduction in workforce.”

Beyond that, “it’s worth noting that jobs will be impacted whether we merge or not because of the dramatic changes in health care that are actually driving the need for this merger — reduced payment for services, policies designed to reduce what hospitals can be compensated for providing services, and a continuing decline in our region’s Medicare Wage Index,” the systems said. “These external forces are requiring hospitals to eliminate cost and reduce the size of the workforce over time. Job losses would likely be much greater if both organizations merged with outside entities. As a result, we believe our proposed alternative is better.”

Reiterating their commitment to keeping hospitals open as clinical and health care facilities for at least five years, the systems said that afterwards, the merged system will continue to provide access to health care services in the community, “which may include continued operation of the hospital, new services as defined by the proposed new health system, and continued investment in health care and preventive services based on the demonstrated need of the community.”

Although the new system may adjust the scope of services or re-purpose hospital facilities, “we will have a board-instituted policy related to consolidation and clinical efficiencies which requires appropriate input from physicians and members of the community who are impacted by any such decisions.”

Wellmont and Mountain States say the new health system would be best positioned to sustain rural health care and advance service levels.
Asked about the fate of community boards of directors after the proposed merger, Wellmont and Mountain States said the current governing boards of the two systems’ hospitals and other affiliates will continue to serve and work at the local level on behalf of the new system’s board of directors.

“Affiliated boards may be adjusted over time to ensure the most effective community representation, subject to any existing contractual commitments,” the systems said.
Every hospital in Wellmont Health System and Mountain States Health Alliance will stay open for at least five years after a proposed merger of the health groups takes effect, they say. That pledge is part of merger application documents filed Tuesday in Virginia and Tennessee. In Virginia, the health groups applied to state authorities for a letter authorizing a cooperative agreement. In Tennessee, they filed very similar documents as part of an application for a certificate of public advantage.

The proposed merger between Wellmont and Mountain States is likely to generate growth and new opportunities for employees, the two health systems say.

FUTURE OF HOSPITALS

Wellmont and Mountain States leaders discussed the applications during a press conference Tuesday morning. The health groups also responded via email to questions submitted following the conference. Reiterating their commitment to keeping hospitals open as clinical and health care facilities for at least five years, the systems said that afterwards, the merged system will continue to provide access to health care services in the community, “which may include continued operation of the hospital, new services as defined by the proposed new health system, and continued investment in health care and preventive services based on the demonstrated need of the community.”

Although the new system may adjust the scope of services or re-purpose hospital facilities, “we will have a board-instituted policy related to consolidation and clinical efficiencies which requires appropriate input from physicians and members of the community who are impacted by any such decisions.”

The applications specify that for two years after the merger, consolidation of a service that would cease that service in a particular community will require a supermajority vote of the new system’s board. Wellmont and Mountain States say the new health system would be best positioned to sustain rural health care and advance service levels.

In their state applications, the groups noted that last year, they collectively invested more than $19.5 million to keep inpatient services in smaller communities.

The applications include statistics showing the low inpatient occupancy of both systems’ smallest rural hospitals.

Among this area’s facilities, here are the numbers as of 2013:

- Lonesome Pine Hospital: 21 staffed beds, 49.6 percent occupancy; 60 licensed beds, 17.4 percent occupancy; average daily patient census, 10.
- Norton Community Hospital: 50 staffed beds, 70.5 percent occupancy; 129 licensed beds, 27.3 percent occupancy; average daily patient census, 35.
- Mountain View Regional Medical Center: 18 staffed beds, 69.5 percent occupancy; 74 licensed beds, 16.9 percent occupancy; average daily patient census, 13
• Dickenson Community Hospital: 2 staffed beds, 1.6 percent occupancy; 25 licensed beds, 0.1 percent occupancy; average daily patient census, less than one.

Asked about the fate of community boards of directors after the proposed merger, Wellmont and Mountain States said the current governing boards of the two systems’ hospitals and other affiliates will continue to serve and work at the local level on behalf of the new system’s board of directors.

“Affiliated boards may be adjusted over time to ensure the most effective community representation, subject to any existing contractual commitments,” the systems said.

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The applications specify that the new system will honor prior service credit for eligibility and vesting in employee benefit plans, including accrued vacation and sick leave, and will move quickly to address any differences in pay and benefits. Further, the system will combine the best of both groups’ career development programs.

Both groups have been reducing residency slots because of financial constraints, the applications note, and the goal is to reverse that trend.
Health system leaders assert merger benefits
Coalfield Progress
Feb. 18, 2016

Tuesday’s merger applications by Wellmont Health System and Mountain States Health Alliance mark the start of Virginia and Tennessee regulators’ formal review process.

The health groups said in a press release that the process could extend into late summer. The merger target date is Sept. 1.

In interviews Tuesday, Wellmont President and CEO Bart Hove and his Mountain States counterpart Alan Levine stressed that the two systems have strived to make the merger process transparent since intentions were announced last April.

The two also said there is a “lot of support” for the merger from the business community, including such large regional employers as Eastman and Food City as well as banks, small businesses and chambers of commerce.

According to the application, the two systems’ geographic service area has a total population of more than 960,000 people, including 11 Virginia counties stretching from Lee to Wythe counties; Kentucky’s Harlan and Letcher counties; 10 Tennessee counties stretching from the state’s northwestern corner to the Morristown area; and six northwestern North Carolina counties.

Wellmont and Mountain States “believe that this merger is the only model that effectively maintains local governance, provides a unique opportunity to sustain and integrate health care delivery for residents into a high quality and cost-effective system, provides an enforceable commitment to limit pricing growth, keeps hundreds of millions of dollars in the region, and invests those dollars in the improved health of this region while also preserving local jobs,” the two applicants say.

PROMOTING HEALTH

Wellmont and Mountain States say in the applications that they are committed to creating a system that will significantly enhance community health through the investment of not less than $75 million over 10 years. The action plan includes:

- Ensuring strong starts for children by investing in programs to reduce the incidence of low birth weight babies and neonatal abstinence syndrome in the region, decreasing the prevalence of childhood obesity and Type 2 diabetes, improving the management of childhood diabetes and increasing the percentage of children in third grade reading at grade level.
- Helping adults live well in the community by investing in programs that decrease premature mortality from diabetes, cardiovascular disease, and breast, cervical, colorectal and lung cancer.
- Promoting a drug-free community by investing in programs that prevent the use of controlled substances in youth and teens (including tobacco), reduce the over-prescription of painkillers, and provide crisis management and residential treatment with community-based support for individuals addicted to drugs and alcohol.
- Decreasing avoidable hospital admission and ER use by connecting high-need, high-cost uninsured individuals in the community to the care and services needed by investing in intensive case management support and primary care, and leveraging additional investments in
behavioral health crisis management, residential addiction treatment and intensive outpatient treatment services.

OVERALL GOALS

Along with investing $75 million over 10 years to improve the population’s overall health, the applications pledge that during the same period, the merged health system will:

- Invest at least $140 million to expand mental health, addiction recovery and drug abuse prevention programs; develop more children’s health resources; meet regional physician needs, address service gaps, preserve/expand rural services and access points.
- Invest at least $85 million to develop and grow academic and research opportunities, post-graduate health care training, strengthen preparation of nurses and allied health professionals.
- Invest about $150 million to improve sharing of health information, establish electronic record system ensuring common platform among providers.

The health groups also note that by merging, they anticipate about $70 million of yearly savings from consolidating non-labor costs.

Further, they anticipate about $25 million of yearly labor cost savings as, over time, duplication, overtime and other costs are reduced. However, a significant amount of savings will be reinvested through developing new programs and services.
Trauma center consolidation hinges on need

Johnson City Press
Feb. 20, 2016

If the merger of the region’s two hospital systems is approved by Tennessee and Virginia, it could mean the loss of one of the Tri-Cities’ Level I Trauma Centers.

In public speeches and documents, the leaders of both Wellmont Health System and Mountain States Health Alliance have pointed to the two existing centers for treatment to major injuries — one at Johnson City Medical Center and one at Kingsport’s Holston Valley Medical Center — as examples of wasteful competition and areas where money could be saved.

Most recently, in applications filed with the departments of health for Virginia and Tennessee seeking regulatory approval for the proposed merger, the systems wrote consolidation of the trauma centers “would likely result in lower cost and improved outcomes.”

“One example of duplicative services the New Health System can potentially consolidate is the area's two Level I Trauma Centers, which are expensive to maintain and redundant in a region with low population density,” the document reads. “No other region in Tennessee operates two Level I centers.”

Trauma centers are specialized functions of hospitals that deal specifically with traumatic injuries, usually from falls, vehicle accidents, gunshots and knife wounds.

Level I is a designation conferred on them by state governments, usually meaning the centers are staffed around the clock with specialized surgeons and contain medical equipment designed to deal with the most serious injuries. Both local hospitals contract with air ambulance services to transport patients to the centers by helicopter.

Tennessee contains six hospitals with Level I trauma centers, in the metropolitan areas of Knoxville, Chattanooga, Nashville, Memphis and the Tri-Cities.

Using a measure touted by the Tennessee Department of Health’s Trauma Care Advisory Council, nearly all of the state’s residents are within 100 air miles of an in-state Level I trauma center.

With 20 miles between the Tri-Cities’ two centers, there is much overlap in their 100-mile radiuses. There are also nine other hospitals in surrounding states whose 100-mile radiuses reach into those of the two local facilities.

Though a 2007 state law provides some funding to hospitals for maintaining trauma centers, much of the expense of operating them is not recouped, according to state emergency medical officials.

“Trauma care often represents a significant portion of the total unreimbursed care for all trauma care providers,” according to the state Health Department’s Trauma Care Plan. “Major hospital reimbursement methods do not provide adequate coverage for the costs of delivering care to patients with multiple injuries. Level I trauma centers receive a disproportionate number of trauma patients with lower socio-economic backgrounds, decreased insurance rates, and increased unemployment rates. Interpersonal violence contributes significantly to the financial problem for major trauma centers.”
Ian Weston, Executive Director of the American Trauma Society, said maintaining Level I trauma centers “costs a ton of money,” for hospitals, but, if a community can financially support them, then each center is needed.

“There are large portions of the United States that are served by multiple trauma centers,” he said. “The Boston area has five Level Is. It’s based on whether the areas can support the inclusion of Level I trauma centers.”

Still, Weston said it’s not uncommon for hospitals to downgrade the levels of their trauma centers to levels with less stringent requirements if patient revenues are not able to support their operation.

But a distance of 20 miles could mean a difference of 10 minutes of travel time by air or 20 minutes by ground ambulance if a helicopter is unavailable. The time could eat into “the golden hour,” a 60-minute window after a major traumatic injury in which medical professionals believe it’s critical to get a patient to treatment.

“There is a direct correlation between advanced levels of care and morbidity and mortality rates,” Weston said. “Getting the patient to a Level I or II trauma center in a one-hour time period from time of injury dramatically decreases mortality and increases the chances of surviving a serious injury.”
Merger vs Status Quo: Consultant’s financial models through 2020
Johnson City News and Neighbor
Feb. 24, 2016

FTI Consulting prepared comparative financial models for a combined Wellmont-Mountain States hospital system, one with no merger-related efficiencies included, another with those efficiencies projected. Below are tables of both the “baseline” and “preliminary efficiencies” model income statements. The efficiency model includes an additional line item second from the bottom showing amounts expected to be invested toward the $450 million over 10 years the systems have committed to investing in four key areas. To enlarge the tables, click on them and then click on the symbol at the top right. Hit the “x” at bottom right to return to this page. Cash flow and balance sheet comparison tables follow the income statement tables on this page.

“Baseline” Financial Model Income Statement

<table>
<thead>
<tr>
<th>Income Statement—NewCo Baseline</th>
<th>Actuals</th>
<th>Forecasted</th>
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<tbody>
<tr>
<td>Net patient service revenue (“PFS”)</td>
<td>$3,870,727</td>
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<tr>
<td>Other revenues</td>
<td>120,584</td>
<td>102,581</td>
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<td>Total other revenues</td>
<td>120,584</td>
<td>102,581</td>
</tr>
<tr>
<td>Total revenue, gains, &amp; support</td>
<td>1,793,312</td>
<td>1,733,661</td>
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<tr>
<td>Expenses:</td>
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<td></td>
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<tr>
<td>Salaries, wages, &amp; benefits</td>
<td>881,530</td>
<td>856,989</td>
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<td>Medical supplies &amp; drugs</td>
<td>325,559</td>
<td>330,375</td>
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<td>Purchased services</td>
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<td>Interest &amp; taxes</td>
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<td>Depreciation &amp; amortization</td>
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<tr>
<td>Maintenance &amp; utilities</td>
<td>53,887</td>
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<tr>
<td>Lease &amp; rental</td>
<td>17,892</td>
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<tr>
<td>Other</td>
<td>107,985</td>
<td>122,984</td>
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<tr>
<td>Total expenses &amp; losses</td>
<td>1,704,431</td>
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<tr>
<td>Income from operations</td>
<td>26,881</td>
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<td>Non-operating gains:</td>
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<tr>
<td>Investment income</td>
<td>60,298</td>
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<td>Derivative valuation adjustments</td>
<td>9,474</td>
<td>4,526</td>
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<tr>
<td>Loss on refinancing</td>
<td>(6,816)</td>
<td>(5,675)</td>
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<tr>
<td>Gain on revaluation of equity method investment</td>
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<td>14,744</td>
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<td>Non-operating gains, net</td>
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<td>78,947</td>
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<td>Revenues &amp; gains in excess of expenses &amp; losses</td>
<td>96,051</td>
<td>90,855</td>
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<tr>
<td>Other non-operating items:</td>
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<td></td>
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<tr>
<td>Non-operating operations</td>
<td>(4,684)</td>
<td>(20,610)</td>
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<tr>
<td>Income attributable to non-controlling interest</td>
<td>(7,728)</td>
<td>(9,835)</td>
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<td>Total other non-operating operations</td>
<td>$ (12,212)</td>
<td>(30,465)</td>
</tr>
<tr>
<td>Revenues &amp; gains in excess of expenses &amp; losses attributable to NewCo</td>
<td>$ 84,429</td>
<td>64,390</td>
</tr>
</tbody>
</table>
## New Health System "Preliminary Efficiencies" Financial Model Income Statement

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>$1,676,727</td>
<td>$1,971,050</td>
<td>$1,813,472</td>
<td>$1,812,747</td>
<td>$1,896,737</td>
<td>$1,924,471</td>
<td>$1,962,961</td>
<td>$2,002,220</td>
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<td><strong>Expenses</strong></td>
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<tr>
<td>Total expenses</td>
<td>$1,791,312</td>
<td>$1,973,601</td>
<td>$1,994,322</td>
<td>$2,003,502</td>
<td>$1,977,492</td>
<td>$2,012,227</td>
<td>$2,053,716</td>
<td>$2,092,976</td>
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<tr>
<td><strong>Net Income</strong></td>
<td>$15,411</td>
<td>$20,449</td>
<td>$42,320</td>
<td>$38,755</td>
<td>$70,154</td>
<td>$11,404</td>
<td>$15,805</td>
<td>$18,256</td>
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**Non-operating Items:**

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</thead>
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<tr>
<td>Discontinued operations</td>
<td>(4,484)</td>
<td>(26,659)</td>
<td>(2,720)</td>
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<tr>
<td>Income attributable to non-controlling interest</td>
<td>(7,728)</td>
<td>(9,826)</td>
<td>(15,044)</td>
<td>(14,459)</td>
<td>(14,976)</td>
<td>(15,031)</td>
<td>(15,077)</td>
<td>(15,111)</td>
</tr>
<tr>
<td>Total other non-operating activity</td>
<td>(12,212)</td>
<td>(36,485)</td>
<td>(17,785)</td>
<td>(14,459)</td>
<td>(14,976)</td>
<td>(15,031)</td>
<td>(15,077)</td>
<td>(15,111)</td>
</tr>
<tr>
<td>Revenue attributable to NewCo.</td>
<td>$84,439</td>
<td>$54,350</td>
<td>$58,526</td>
<td>$57,254</td>
<td>$56,672</td>
<td>$51,855</td>
<td>$41,378</td>
<td>$55,365</td>
</tr>
<tr>
<td>Uses expense related to CPA, excluding CPA expense</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income, including CPA expenses attributable to NewCo.</td>
<td>$84,439</td>
<td>$54,350</td>
<td>$58,526</td>
<td>$57,254</td>
<td>$56,672</td>
<td>$51,855</td>
<td>$41,378</td>
<td>$55,365</td>
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MSHA6447
### “Baseline” Financial Model Statement of Cash Flows

#### Statement of Cash Flows - NewCo Baseline

<table>
<thead>
<tr>
<th></th>
<th>6/30/16</th>
<th>6/30/17</th>
<th>6/30/18</th>
<th>6/30/19</th>
<th>6/30/20</th>
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</thead>
<tbody>
<tr>
<td><strong>$’000s</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Income from operations</td>
<td>$7,470</td>
<td>$41,442</td>
<td>$44,724</td>
<td>$47,266</td>
<td>$49,080</td>
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<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Depreciation and amortization</td>
<td>126,507</td>
<td>126,364</td>
<td>126,828</td>
<td>127,872</td>
<td>129,471</td>
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<tr>
<td>Loss on extinguishment of debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in estimated fair value of derivatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity in net income of JVs, net</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss/(Gain) on disposal of assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital Appreciation Bond accretion and other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pension and other defined benefit plan adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Increase/(Decrease) in cash due to change in:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient accounts receivable, net</td>
<td>1,524</td>
<td>(11,149)</td>
<td>(5,686)</td>
<td>(5,800)</td>
<td>(5,916)</td>
</tr>
<tr>
<td>Other receivables, net</td>
<td>(2,079)</td>
<td>(2,183)</td>
<td>(2,293)</td>
<td>(2,407)</td>
<td>(2,528)</td>
</tr>
<tr>
<td>Inventories &amp; prepaid expenses</td>
<td>2,266</td>
<td>(2,832)</td>
<td>(1,612)</td>
<td>(1,653)</td>
<td>(1,694)</td>
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<td>Net deferred financing, acquisition costs &amp; other charges</td>
<td>1,449</td>
<td>1,376</td>
<td>1,307</td>
<td>1,242</td>
<td>1,180</td>
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<tr>
<td>Other assets</td>
<td>(1,607)</td>
<td>(1,655)</td>
<td>(1,705)</td>
<td>(1,756)</td>
<td>(1,809)</td>
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<tr>
<td>Current portion of debt &amp; liabilities</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable &amp; accrued expenses</td>
<td>(2,100)</td>
<td>6,517</td>
<td>5,485</td>
<td>5,618</td>
<td>5,755</td>
</tr>
<tr>
<td>Estimated third-party payor settlements</td>
<td>369</td>
<td>377</td>
<td>384</td>
<td>392</td>
<td>400</td>
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<tr>
<td>Other long-term liabilities</td>
<td>1,633</td>
<td>1,665</td>
<td>1,699</td>
<td>1,733</td>
<td>1,767</td>
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<tr>
<td><strong>Total adjustments</strong></td>
<td>127,962</td>
<td>118,480</td>
<td>124,407</td>
<td>125,241</td>
<td>126,627</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>135,432</td>
<td>159,922</td>
<td>169,132</td>
<td>172,506</td>
<td>175,707</td>
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<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant, and equipment</td>
<td>(125,000)</td>
<td>(131,250)</td>
<td>(137,813)</td>
<td>(144,703)</td>
<td>(151,938)</td>
</tr>
<tr>
<td>Acquisitions, net of cash acquired</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-operating gains, net</td>
<td>23,099</td>
<td>23,561</td>
<td>24,032</td>
<td>24,512</td>
<td>25,003</td>
</tr>
<tr>
<td>Purchases of held-to-maturity securities</td>
<td>(23,099)</td>
<td>(23,561)</td>
<td>(24,032)</td>
<td>(24,512)</td>
<td>(25,003)</td>
</tr>
<tr>
<td>Net distribution from JVs and unconsolidated affiliates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from sale of plant, property, and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(125,000)</td>
<td>(131,250)</td>
<td>(137,813)</td>
<td>(144,703)</td>
<td>(151,938)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments on LT debt and liabilities (net of interest)</td>
<td>(40,643)</td>
<td>(39,559)</td>
<td>(38,504)</td>
<td>(37,477)</td>
<td>(36,478)</td>
</tr>
<tr>
<td>Payment of acquisition and financing costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issuance of LT debt &amp; other financings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net amounts received on interest rate swaps</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted contributions received</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used by financing activities</strong></td>
<td>(40,643)</td>
<td>(39,559)</td>
<td>(38,504)</td>
<td>(37,477)</td>
<td>(36,478)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>(30,211)</td>
<td>(10,887)</td>
<td>(7,185)</td>
<td>(9,674)</td>
<td>(12,709)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>128,580</td>
<td>98,369</td>
<td>87,482</td>
<td>80,297</td>
<td>70,623</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td><strong>$98,369</strong></td>
<td><strong>$87,482</strong></td>
<td><strong>$80,297</strong></td>
<td><strong>$70,623</strong></td>
<td><strong>$57,914</strong></td>
</tr>
</tbody>
</table>
# New Health System “Preliminary Efficiencies” Financial Model Statement of Cash Flows

## Statement of Cash Flows with Preliminary Efficiencies Estimate

<table>
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<tr>
<th>5'000s</th>
<th>6/30/16</th>
<th>6/30/17</th>
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<th>6/30/19</th>
<th>6/30/20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from operations</td>
<td>$48,614</td>
<td>$88,086</td>
<td>$101,955</td>
<td>$131,943</td>
<td>$141,451</td>
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<tr>
<td>Uses expense related to COPA, excluding D&amp;A expense</td>
<td>(10,750)</td>
<td>(27,250)</td>
<td>(43,500)</td>
<td>(49,000)</td>
<td></td>
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<tr>
<td><strong>Total cash flows from operating activities</strong></td>
<td>$37,864</td>
<td>$60,836</td>
<td>$58,405</td>
<td>$88,443</td>
<td>$92,451</td>
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</table>

## Adjustments to reconcile change in net assets to net cash provided by operating activities:

- Depreciation and amortization: 126,507
- Loss on extinguishment of debt: -
- Change in estimated fair value of derivatives: -
- Equity in net income of JVs, net: -
- Loss/(Gain) on disposal of assets: -
- Capital Appreciation Bond accretion and other: -
- Restricted contributions: -
- Pension and other defined benefit plan adjustments: -

## Increase/(Decrease) in cash due to change in:

- Patient accounts receivable, net: 1,524
- Other receivables, net: (2,079)
- Inventories & prepaid expenses: 6,118
- Net deferred financing, acquisition costs & other charges: 1,449
- Other assets: (1,807)
- Current portion of debt & liabilities: -
- Accounts payable & accrued expenses: (2,100)
- Estimated third-party payor settlements: 369
- Retention bonus liability: 5,000
- Other long-term liabilities: 1,639

## Total adjustments

131,814 128,240 136,641 155,911 163,570

## Net cash provided by operating activities

180,428 205,577 211,346 244,354 256,022

## Cash flows from investing activities:

- Purchases of property, plant, and equipment: (125,000)
- Acquisitions, net of cash acquired: -
- Non-operating gains, net: 23,099
- Purchases of held-to-maturity securities: (23,099)
- Net distribution from JVs and unconsolidated affiliates: -
- Proceeds from sale of plant, property, and equipment: -

## Net cash used in investing activities

(125,000) (161,256) (202,813) (204,703) (176,938)

## Cash flows from financing activities:

- Payments on LT debt and liabilities (net of interest): (40,643)
- Payment of acquisition and financing costs: -
- Proceeds from issuance of LT debt & other financings: -
- Income attributable to non-controlling interest: (14,459)
- Net amounts received on interest rate swaps: -
- Restricted contributions received: -

## Net cash used by financing activities

(55,101) (54,534) (53,535) (52,554) (51,589)

## Net increase/(decrease) in cash and cash equivalents

327 (10,207) (45,002) (12,903) 27,494

## Cash and cash equivalents at beginning of year

128,580 128,907 118,700 73,698 60,795

## Cash and cash equivalents at end of year

$128,907 $118,700 $73,698 $60,795 $88,289
### Balance Sheet - NewCo Baseline

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<th>$'000s 6/30/14</th>
<th>$'000s 6/30/15</th>
<th>$'000s 6/30/16</th>
<th>$'000s 6/30/17</th>
<th>$'000s 6/30/18</th>
<th>$'000s 6/30/19</th>
<th>$'000s 6/30/20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>$130,860</td>
<td>$89,899</td>
<td>$128,580</td>
<td>$98,369</td>
<td>$87,482</td>
<td>$80,297</td>
<td>$70,623</td>
<td>$57,914</td>
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<td>Current portion of investments</td>
<td>25,447</td>
<td>28,262</td>
<td>22,904</td>
<td>22,904</td>
<td>22,904</td>
<td>22,904</td>
<td>22,904</td>
<td>22,904</td>
</tr>
<tr>
<td>Patient accounts receivable, net</td>
<td>271,216</td>
<td>278,583</td>
<td>274,678</td>
<td>273,154</td>
<td>284,303</td>
<td>289,989</td>
<td>295,789</td>
<td>301,704</td>
</tr>
<tr>
<td>Other receivables, net</td>
<td>51,463</td>
<td>60,187</td>
<td>41,588</td>
<td>43,667</td>
<td>45,851</td>
<td>48,143</td>
<td>50,551</td>
<td>53,078</td>
</tr>
<tr>
<td>Inventories &amp; prepaid expenses</td>
<td>58,383</td>
<td>59,859</td>
<td>63,930</td>
<td>61,664</td>
<td>64,496</td>
<td>66,108</td>
<td>67,761</td>
<td>69,455</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>$537,370</td>
<td>$516,790</td>
<td>$531,680</td>
<td>$499,758</td>
<td>$505,035</td>
<td>$507,442</td>
<td>$507,628</td>
<td>$505,056</td>
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<tr>
<td><strong>Other non-current assets:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Longterm investments</td>
<td>1,037,563</td>
<td>1,124,957</td>
<td>1,154,927</td>
<td>1,178,026</td>
<td>1,201,586</td>
<td>1,225,618</td>
<td>1,250,131</td>
<td>1,275,133</td>
</tr>
<tr>
<td>Property, plant, &amp; equipment, net</td>
<td>1,369,023</td>
<td>1,374,010</td>
<td>1,331,657</td>
<td>1,330,150</td>
<td>1,335,035</td>
<td>1,346,020</td>
<td>1,362,851</td>
<td>1,385,318</td>
</tr>
<tr>
<td>Goodwill</td>
<td>169,487</td>
<td>208,262</td>
<td>208,179</td>
<td>208,179</td>
<td>208,179</td>
<td>208,179</td>
<td>208,179</td>
<td>208,179</td>
</tr>
<tr>
<td>Net deferred financing, acquisition costs &amp; other charges</td>
<td>33,858</td>
<td>30,067</td>
<td>28,972</td>
<td>27,523</td>
<td>26,147</td>
<td>24,840</td>
<td>23,598</td>
<td>22,418</td>
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<tr>
<td>Other assets</td>
<td>47,091</td>
<td>48,870</td>
<td>53,567</td>
<td>55,174</td>
<td>56,850</td>
<td>56,324</td>
<td>60,290</td>
<td>62,099</td>
</tr>
<tr>
<td><strong>Total other non-current assets</strong></td>
<td>$2,646,822</td>
<td>$2,786,566</td>
<td>$2,777,303</td>
<td>$2,799,052</td>
<td>$2,827,778</td>
<td>$2,863,191</td>
<td>$2,905,049</td>
<td>$2,953,148</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$3,184,192</td>
<td>$3,302,916</td>
<td>$3,308,983</td>
<td>$3,298,811</td>
<td>$3,332,813</td>
<td>$3,370,633</td>
<td>$3,412,676</td>
<td>$3,458,204</td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of debt &amp; liabilities</td>
<td>75,323</td>
<td>73,791</td>
<td>84,731</td>
<td>84,731</td>
<td>84,731</td>
<td>84,731</td>
<td>84,731</td>
<td>84,731</td>
</tr>
<tr>
<td>Accounts payable &amp; accrued expenses</td>
<td>242,267</td>
<td>261,554</td>
<td>270,782</td>
<td>268,682</td>
<td>275,199</td>
<td>280,683</td>
<td>286,301</td>
<td>292,056</td>
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<tr>
<td>Estimated third party payer settlements</td>
<td>32,932</td>
<td>18,988</td>
<td>18,471</td>
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## New Health System "Preliminary Efficiencies" Financial Model Balance Sheet

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Continued FTC scrutiny likely despite merger’s proposed structure

By Jeff Keeling

If the legal community’s blogosphere is close to being on target, the Federal Trade Commission (FTC) is likely to exert significant influence as Tennessee and Virginia officials consider the proposed Wellmont Health System-Mountain States Health Alliance merger. Tennessee’s Certificate of Public Advantage (COPA) law and its Virginia counterpart are intended to shield the states from federal antitrust action—providing them “state action immunity.” The systems’ proposal also caps annual price increases at a quarter percent below the national annual hospital price index. The FTC, though, has written letters to both states urging them to provide rigorous competitive analysis as they consider the applications. The agency’s recent antitrust actions, too, suggest it’s not shy about attempting to intervene even in state-regulated mergers designed to keep the FTC at bay.

“You don’t know what the FTC is going to do here,” said Dionne Lomax, a Washington, D.C. attorney who has worked on both sides of the healthcare antitrust divide. Currently in private practice with Mintz Levin, where she represents large health systems among other clients, Lomax previously served as a trial attorney at the U.S. Department of Justice Antitrust Division’s Health Care Task Force. There, she analyzed and investigated health care mergers among other duties.

In a Feb. 23 interview with the Business Journal, Lomax offered her thoughts about matters ranging from recent FTC activity surrounding healthcare mergers to

Instead of just deeming all of these mergers anticompetitive, and, ‘oh the efficiencies aren’t merger-specific, or they’re not extraordinary, they’re not large enough’—we need to figure out how to get there because that’s the world that providers, practically speaking, are operating in right now.

-Dionne Lomax on the FTC’s merger guidelines

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the agency's model for assessing competition in the sector (it may be outdated, she said). Lomax expects the states will lean heavily on FTC-type standards as they consider whether to approve the merger—and that even if they do approve it, the FTC may intervene.

"They've been surprising a lot of folks in a lot of places," Lomax said. "They challenged that one hospital merger in West Virginia after the state AG had already approved it. So they don't necessarily take their cues from the state."

Lomax referred to an administrative complaint the FTC filed Nov. 6 concerning Cabell Huntington Hospital and St. Mary's Medical Center in West Virginia. An FTC news release noted the hospitals, which would have acute inpatient market share of more than 75 percent (the Wellmont-MSHA merger would create 73 percent share), had entered into temporary agreements with the state's attorney general and the area's largest health plan, but the agency claimed those agreements, "fall far short of replicating the benefits of competition." The FTC, which voted 4-0 to seek a temporary restraining order should the West Virginia Health Care Authority and the Catholic Church approve the deal, also claimed, "potential cost savings and purported quality improvements are speculative, not merger-specific, and insufficient to outweigh the likely competitive harm..."

The local merger's purported benefits are clearly delineated in the COPA application and the Jan. 7 pre-submission report, and include a major emphasis on merged company-funded population health measures. It's possible none of that will matter to the FTC, as another healthcare attorney, Beth Vojt in Nashville's Walser, Lansden, Dortch and Davis wrote Nov. 13 in a post comparing the two premerger proposals: "Although at this point, the states are in charge of regulating the merger there is still the possibility the FTC could get involved formally. The FTC's willingness to get involved in state rulemaking may be a sign of future challenges to state action immunity in healthcare transactions."

That FTC stance comes in spite of a recognition on the agency's part that mergers, "can result in significant efficiencies, and they can help to lower prices and improve quality and enhance services," Lomax said. The rub comes in when the agency determines whether those benefits are "merger-specific."

"Even if the parties in this case have

SEE FTC, 18
really good information as to all that they can
do from an efficiency standpoint to benefit
the community," Lomax said, "if it doesn't
pass muster under this clear and convincing
standard that seems to be the standard that the
Tennessee Department of Health is going to
use - which is a standard that the FTC discusses
in its letter to the Department of Health - then
I suspect that it may be difficult for the parties
to show that these efficiencies will outweigh
whatever harm someone might try to claim the
merger will bring to the community."

But what about the ACA?
Combined with other healthcare reforms,
the Affordable Care Act has led to massive shifts
in healthcare payment models, and a greater
emphasis on population health. For her part,
Lomax is doubtful the FTC's standards for re-
view have caught up with the shifts. The studies
the agency relies upon for judging the competi-
tive effects of mergers are dated, Lomax said,
including the FTC's own decade-plus old study.
Those studies commonly show that mergers in
concentrated markets result in higher prices and

Tennessee contacts feds in merger matter
Tennessee's Department of Health (DOH) has exchanged a couple of letters
and a phone call with the agency as it defines its own role in the hospital
merger process.

DOH Commissioner John Dreyzehner wrote the FTC in June with a
theoretical question: If a merger were approved and the new company were
later sold to an outside entity, would that sale, "trigger an antitrust review
when the new owner is not a party to the cooperative agreement or operating
with active state supervision pursuant to the COPA?"
The FTC wrote back on Dec. 22, 2015, Assistant Director Mergers IV
Division Alexis Gilman said the FTC doesn't deal in hypotheticals. She then
offered some unsolicited comments.
• The more market share a merged system has, the greater must be the
merger-specific, or "cognizable" efficiencies gained. The local merger would
create a 73 percent acute care market share. Two cases cited in a footnote
referred to merged firms with 58 and 59 percent share, respectively, "FTC
staff most closely analyzes transactions in which the hospitals offer similar
services in an area with a limited number of other providers of those services,
given that such transactions raise the greatest likelihood of consumer harm."
• Unwinding completed mergers is typically ineffective and so, "the FTC
typically seeks to remedy problematic mergers and acquisitions before they
are consummated."
• Local control and the local retention of potential economic benefits of a
merger (mentioned by DOH as one motivation for the local proposal), "are
unlikely to be cognizable efficiencies under the antitrust laws."
are bad for consumers.

"Because of the Affordable Care Act, the dynamic of how providers are being paid has really been changing," Lomax said. "You have these alternative payment models – risk-based contracting, the quality is factored into things a lot more, it’s not just price." Lomax mentioned a recent Ninth Circuit case that struck down a merger in Idaho that, in her opinion, ignored quality as a competitive factor that should be evaluated in a merger analysis.

"Given the way the industry is moving and changing, I think that’s the wrong way to look at it," Lomax said. She said some studies are emerging that try to account more for a broader set of data in the post-ACA environment. "At least one study that I’m aware of had basically come to the conclusion that the economic model that the agencies are relying on and have previously used mispredicts the competitive effect of mergers because they’re not taking into account these current competitive dynamics."

Lomax said even the head of the federal Bureau of Competition has acknowledged it’s difficult to weigh quality improvement efficiency claims against anticompetitive price increases.

"My whole point is, we’re going to get there, you need to figure it out instead of just deeming all of these mergers anticompetitive, and, ‘oh the efficiencies aren’t merger-specific, or they’re not extraordinary, they’re not large enough’ – we need to figure out how to get there because that’s the world that providers, practically speaking, are operating in right now."

Leaders at Wellmont and Mountain States are standing by the advantages they say the merger would create, and by their contention that costs to consumers will be better under the merger than they would have been otherwise. MSHA CEO Alan Levine said at a news conference Feb. 16 that in the event of merger approval, the states will, "wield a pretty big gavel" when it comes to pricing, and that, "it’s important that we comply or we face the repercussions from that."

Whether the FTC leaves it to the states to decide remains to be seen. Another article from Beth Vessel and a colleague, Ashley VanLandingham, noted that COPA regulations in New York have drawn FTC scrutiny. "The FTC stated that it will continue to challenge defenses based on asserted state action immunity where the state fails to provide adequate active supervision," the article stated. It also suggested an FTC "emboldened by recent successes," is "poised to resist provider achievement of state action immunity through a reliance on COPA statutes." Lomax did not disagree.

"It will be interesting to see here, say for example if the COPA is approved, will the FTC try to go after this," Lomax said. "The only way they would be able to do it is if somehow they really believed that state action immunity still didn’t apply here. That could be an uphill battle for them, but let me tell you, they’re very aggressive, they’re not afraid to litigate, they’re on a winning streak when it comes to challenging hospital mergers, and so if they see a clear way through or a credible argument that they think they could make that this doesn’t pass the state action Supreme Court’s test, they might challenge it. It will be interesting to see how that plays out."

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Merger model projects $92 million extra margin by 2020
Johnson City News and Neighbor
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Mountain States Health Alliance and Wellmont Health System's drive to, as the systems put it, “become better together,” hinges largely on the expectation that efficiencies of a merged system will free up money—lots of it.

The systems’ Feb. 15 application for a Certificate of Public Occupancy (COPA), with “exhibits and attachments,” ran to precisely 2,578 pages. A 14-page section beginning 2,499 pages in provides detail into the group behind projections that a merged system will throw off an extra $120 million or so in annual cash flow once it’s fully integrated.

Those projected margins, the systems say, will then be reinvested into efforts to improve population health, attract the best physicians and workers, and prime the pump for research efforts and the outside dollars those can bring, among other goals.

Monday, Wellmont’s chief financial officer, Alice Pope, and MSHA’s chief operations officer, Marvin Eichorn, briefly discussed the financial projections developed by FTI Consulting. The COPA application’s “Exhibit 11.8” includes a seven-page narrative description of the work FTI did to develop two financial models.

The first is a “baseline” combining anticipated total numbers of the two systems with no efficiencies gained, the second a “preliminary efficiencies” model projecting different expenses due to efficiencies gained. Those savings are projected to begin in the fiscal year ending June 30, 2017, and the models shown in the COPA application project through 2020.

The systems’ COPA application estimated $120 million of annual efficiency savings from a combination of non-labor, labor and clinical efficiencies at full integration. By fiscal 2020, that amount is already projected at $92 million, with baseline expenses of $2.044 billion and a preliminary efficiency estimated expense of $1.95 billion. Projected income from operations is $141.5 million, compared to a baseline model of $49.1 million.

Of that difference, $49 million is projected to go into “expense related to COPA,” a line item not present in the baseline model for 2017-2019, 2020 the three previous years’ COPA-related expenses total about $81.5 million. Ultimately, the merged system intends to invest about $450 million in the first 10 years of integration in mental health, children’s health, research and combatting chronic conditions.

“By the time you get out to 2020, you’re pretty much out to what would be the annual amount for the remaining six years,” Eichorn said.

Many people have raised questions about reductions in personnel since the merger announcement. By 2020, the “salaries, wages and benefits” line item totals $944.9 million—a full $40 million less than the same line item in the baseline model.

Pope said there is a high likelihood, though, that the $49 million in expenses related to COPA will include salaries for new jobs related to the COPA’s endeavors.
“Just to give an example, if we’re going to be expanding services into the behavioral health area, there is a dollar amount allotted to the cost of that expansion ... while it’s not 100 percent employment, there’s certainly a very large component of the investment that comes back to the area as employment,” Pope said.

Eichorn added that some of the COPA-related expenses could lead to job creation outside of the merged company.

“If you look at research and graduate medical education, the likelihood for additional employees in the region should be quite a bit, and those will be on the books at ETSU, or (University of Virginia), or Lincoln Memorial or all the other academic and research institutions in our market.

“It’s going to be a combination.”

Pope and Eichorn both said they were happy with FTI’s work (the comparative income statements can be found at jcnewsandneighbor.com/FTI).

“I don’t think either health system would have put forth anything in something as important as these two applications that we’re not able to stand behind and concur with the results and the presentation,” Pope said.

“At the end of the day we’re going to be held accountable ... by the state and the community (for) generating the kind of resources it’s going to take to provide these levels of commitments,” Eichorn added. “We feel very good about the work that FTI did.”
It's official now: The state of Tennessee and Commonwealth of Virginia will decide whether Mountain States Health Alliance and Wellmont Health System’s proposed merger will benefit the public. And for those interested in voicing opinions on whether or not a Certificate of Public Advantage (COPA), and thus a merger, should be approved in Tennessee, June 7 is a date worth circling on the calendar.

The systems submitted voluminous applications for permission to merge to the two states Feb. 15. The next afternoon, their respective CEOs, MSHA’s Alan Levine and Wellmont’s Bart Hove, discussed the application – which includes projected extra, efficiency-derived margins of $130 million in the four fiscal years starting next July 1 – and the pending review process with reporters.

The two also continued making their case for the merger by outlining its purported benefits, saying it will both protect consumers with respect to pricing and ultimately lead to a healthier population less reliant on expensive acute care. A portion of the extra margins – projected to reach $92 million in the year ending June 30, 2020 (see related story below) – would largely be used to invest in efforts to try and make the community healthier and attract research dollars.

Ultimately, a consultants’ study commissioned by the systems found, annual savings from three “efficiency” sources – non-labor, labor, and clinical – could total approximately $121 million compared to the separate systems’ total costs if they didn’t merge.

The systems’ Virginia application for a “Cooperative Agreement” references potential non-labor savings of, “approximately $70 million annually that would not be possible but for the merger.” Another $25 million in estimated savings would come from eventual labor reductions, though the CEOs took pains to note that the new population health and research endeavors a merger could yield should create new jobs.

Clinical efficiencies are expected to bring another $26 million a year in savings.

The session didn’t plow a lot of new ground, though Levine and Hove elaborated on some of the primary issues about which the public and media have had questions. Significant portions of the questions and answers can be found at jcnewsandneighbor.com/feb16.

The next step in the process involves the states’ departments of health reviewing the identical applications for completeness. The laws allowing for a merger that diminishes competition – passed last year in both states – set forth specific requirements for the applications for a COPA in Tennessee and a “Cooperative Agreement” in Virginia. Those statutes also require “active states supervision” of any approved COPA to insure that advantages of the merger continue to outweigh disadvantages caused by decreased competition.

Once an application is deemed complete, the full review process can last for up to 120 days in Tennessee, and 150 business days in Virginia. By the end of last week, the Tennessee Department of Health (DOH) already had moved forward on a couple of important aspects of the application.
First, DOH quickly released information about various ways the public will be able to weigh in on whether the proposed COPA should be issued – including through email (TN.health@tn.gov), in writing, and in person at a June 7 DOH public hearing at Northeast State Community College’s Regional Performing Arts Center (PAC).

Then on Friday, DOH released information about the process it will use to develop a “COPA Index” and named the 16 members of a “COPA Index Advisory Group.” The index will include specific goals for population health in the region, which could run the gamut from children’s health and smoking-related illnesses to diabetes-related statistics, prescription drug abuse rates and peoples’ levels of physical activity. The index also will encompass access to health services and economic factors, and according to DOH the results of the index will be publicly reported on a regular basis if a COPA is issued and the systems merge.

The advisory group’s members represent a wide swath of interest groups, including a large independent physicians group and BlueCross BlueShield of Tennessee’s associate general counsel – two constituencies that have already expressed some concerns about the COPA. Sullivan County Health Department Director Gary Mayes is chairman.

The group will hold a series of “listening sessions” that kick off at 5:30 p.m. March 22 at the Carter County Health Department (open to the general public). Meetings for external stakeholders, such as competing healthcare providers, non-profits and government agencies, is at 5:30 p.m. April 19 at Northeast State’s PAC. Another public meeting is April 5 in Rogersville, while a final meeting that includes presentation of the proposed index and receipt of final comments is at Northeast State’s PAC May 17. The May 17 meeting is open to the public and all stakeholders.

Wellmont’s Hove said he believes the states are interested in the merger’s potential to move the region further in population health. “We’ve mentioned time and time again that Southwest Virginia and Northeast Tennessee rank very low in our states and nationwide as it relates to obesity, diabetes, heart disease, stroke, cancer,” Hove said.

Levine added that the systems plan to deploy a “logic model” widely used in public health to attack the persistent problems that are thought to contribute to the area’s poor population health, with goals that in many cases mirror those of the states.

“What we’re providing with this merger is a vehicle to help the state actualize those goals in a coordinated way,” Levine said.

As for the main reason the systems are going to such expense and time – the anticompetitive effects that draw the scrutiny of the Federal Trade Commission and thus the states – Levine said he welcomed strict review. The COPA application promises annual price increase caps of 0.25 percent below the national health care inflation index, and a mid-contract price reduction for payors once the merger is complete.

“No one can predict what the FTC will or won’t do, and we certainly would respect their prerogatives as they see it,” Levine said. “That’s why we’ve been following the law very closely. We looked at case law, we’ve looked at Supreme Court rulings. Before we endeavored to do this, we did our homework to make sure we stayed within the appropriate space, and we believe that we’ve done that.
“We think the state has a role here, both Tennessee and the Commonwealth. They seem to be taking their role seriously, and we fully expect that we’re going to go through a robust negotiation (with them). I think if we do that – we comply with what we believe are the rules, or what the rules say – we’re well within a safe space.

“The FTC has spoken at a couple of public forums, they’ve offered their expertise to the state. I suspect the state will take them up on it.”
Mountain States Health Alliance CEO Alan Levine and his Wellmont counterpart, Bart Hove, sat down with reporters the day after the systems filed with the state of Tennessee and Commonwealth of Virginia for approval to merge. A wide-ranging, 50-minute question and answer session followed. The majority of that transcription can be read here.

**Bart Hove:** What continues to transpire in health care today convinces us more and more that we have collectively made the right decision within our boards to pursue the merger of our organizations in order to stabilize the health care of the communities, to be able to provide additional services and access points, and to improve the population of the regions that we serve with many of the new offerings that are described and contained in the COPA application going forward. So we look forward to the further review by the states and our participation in the public forums associated with the reviews of these documents, and look forward to the receipt of the approval process to merge our organizations and move forward.

**Alan Levine:** Let me add a couple other things to Bart’s point. If you think about what we’ve been doing since April: negotiating a definitive agreement, which is a very thick document; negotiating the bylaws; drafting the COPA; conducting due diligence; holding more than 40 public events; putting together four community teams to begin looking at the process of child and family health, addiction and mental health, research and academics and population health and where we’re going to go with that; engaging more than 200 people in the community – an awful lot has been happening over the course of the last year. When I think back to April 2, we were asked, are you going to be transparent with the process. If there’s anything I’m proud of, it’s that we’ve done this in a very methodical, transparent way. We’ve said from the very beginning what we were going to do, we’ve done what we said we would do, with total respect for the regulatory process, not to mention that we got the law changed, both in Virginia and Tennessee, to permit this type of relationship, almost unanimously, with the support of both governors. It’s been a monumental amount of work, and if that’s any indicator of just how effective we can be when we’re together as a system, that should be pretty compelling for people – especially when instead of focusing on all those things, we’re focusing on actually improving the health of the region.

**Johnson City News and Neighbor:** Are there clocks that start ticking in both states today?

**Hove:** There is a prescribed process both in Tennessee and Virginia once the applications have been reviewed and deemed complete, and so it still rests with the states to respectively declare those complete, and then we go into the 120-day review process in Tennessee and 150-day (business days) in Virginia.

**Cumulus Radio Tri-Cities:** I assume this will be a very thorough review with both states looking at everything literally from A to Z.

**Levine:** I would presume so. There’s two paths they have to go here. One is they have to look at the economic issues related to a merger, and the other one is looking at what we believe is the compelling and clear and convincing case for why this merger’s good for the community. I think both states – they’ve taken it very seriously. We’ve met with the secretary of health in Virginia and the commissioner
in Tennessee. We’ve met with both governors. I think the state takes its role very seriously in this. On the one hand I think they’re very excited. I don’t speak for the state, but I think there’s a level of excitement about what we’re trying to accomplish, and obviously there’s a sense of responsibility for making sure that they comply with the law, which is very important, and we want them to comply with the law. We very much want to stay well within the boundaries and do the right thing. That’s really why we’ve gone about the process the way we have. One thing I also want to point out: It’s not just the work of the people in Mountain States and Wellmont that have done this, and our boards. If you think about the people in the community, the business leaders who stepped forward, this would not have happened if the business community didn’t say ‘we want this to happen.’ Whether it’s Eastman or Food City or banks, small businesses, we’ve heard from all of them. The chambers (of commerce). There’s been a phenomenal amount of support for this. That’s not to say it’s unanimous, I’m sure there are people who have their doubts, but there’s a lot of support for this, and to have been able to get all those things lined up and get to the place where we are today, I tip my hat to our teams both at Wellmont and Mountain States. They worked really hard to get us here.

**Hove:** Alan also mentioned transparency in a previous statement, and just to carry that forward, we want to make sure that in the transparency process communities have had a lot of opportunity to have input into our application process so far. The states will continue that process as well. As a matter of fact, Tennessee has already scheduled times and locations for public hearings, which we’re very pleased to see the timing of the state of moving forward in the process of declaring the applications and then being engaged with our process. To already have those scheduled and formatted is quite a feat.

**Health Leaders Media:** One of the reasons for mergers such as this is to eliminate duplications, redundancies, etc. Have you identified redundancies in either system, for example is there a particular service area that might be done away with at a particular hospital? Are there personnel that might be redundant who would be done away with, or issues of data processing, HIT etc. Have you identified redundancies in this new system?

**Levine:** Part of the agreement that we’ve made, and you’ll read this in the bylaws, is to put together a policy for how we would approach potential synergies and consolidations, which would involve physicians, people in a community, the leadership of hospitals in a community to make sure that whatever decisions we make, they’re based on what’s best for that community. And it does require for the first two years of the merger, it requires a supermajority vote of the board to eliminate any service where a community might be left without a service. So we were very methodical about trying to be sure we go through a process, so that whenever we make those decisions they’re based on the input we get from the physician community as well as the hospital leadership and the people that live in that community. That’s not unusual for systems. I know Mountain States, we go through that process fairly regularly. About two years ago we eliminated the OB program at Sycamore Shoals, for instance, and we went through a very similar process. As health care changes we’ve got to be prepared to adapt. One last thing, and I’m sure Bart will want to add something to this – the decision between Mountain States and Wellmont to merge was not in a vacuum. The option is not to keep things the way they are today or merge with Wellmont, from Mountain States’ perspective. The option is merge with Wellmont, or potentially with someone from outside the region. And the reason I raise that is, if you look at that option of us or Wellmont or both doing something with an enterprise that's based elsewhere, typically the first thing that happens is you lose virtually your entire infrastructure, because it’s consolidated to where the home office is. That could be close to 1,000 jobs that would be gone. But in the environment
that we’re in today, with the revenue pressure that hospitals are facing, the reality is, two small systems like ours staying independent is very unlikely over the course of the next two to three years. So the option of merging together, there will be synergy opportunities, but because of how we structured the COPA with investment and new services and programs, while there may be opportunities for synergies in one aspect of our system, there’s going to be job opportunities in other aspects. For instance, when we develop and build an addiction and recovery center, we’re going to need to staff that, and so those are new jobs. What we’re doing is, we’re eliminating where there’s duplication, but investing where there’s opportunity.

**Johnson City Press:** There’s mention in the COPA document about the potential to consolidate, and it lists Level I trauma center, specialty pediatric services, co-located facilities, and it talks about potentially repurposing acute care beds. Are those the kinds of things that you’re talking about here?

**Levine:** Those would be examples, sure.

**Press:** Are those just examples, or are those discussions that have been had? Why were those listed in the document?

**Levine:** Well, I think those are some of the obvious things that you would look at. Those are stating the obvious. There’s a lot that are not quite as obvious. There’s a lot of synergy opportunities operationally, and you’ve got to go through a methodical process to do that. But stating those things are really stating the obvious. I think if you asked anybody in the region, they would probably list those off the top of their head, that those would be the obvious things that you would actually evaluate.

**Hove:** The counter to that, too, is in part of the application it does describe the opportunities for us to grow and enhance services in areas, and to preserve access to health care in the regions that we’re serving as well, so one of our commitments is to maintain health care facilities in communities where we are in existence now, also to develop a physician recruiting plan, a staff recruiting plan, to help us grow and further enhance the services that we propose to offer in the future.

**News and Neighbor:** Mr. Levine had said something about, speculatively, that the state might be excited about some of the aspects of this merger. If it were, is that access piece one example, and what might be others that would lead you to believe that the state might have some positive thoughts about what this could bring about in terms of the goals of the department of health?

**Hove:** I think both of us feel that both states are extremely interested in the prospects of the merger taking shape, not only for the increased enhancement of the services to be offered but also in helping to demonstrate the effectiveness of moving more into population health to raise the level of the health of our communities that we’re serving. We’ve mentioned time and time again that Southwest Virginia and Northeast Tennessee rank very low in our states and nationwide as it relates to obesity, diabetes, heart disease, stroke, cancer; and those types of programs that can be synergized across our region, and where programs can be put into place to help raise the overall health of the population, are some of the goals the state is very excited about.

**Levine:** The section in the COPA that relates to public health, we adopt some models that are very – the logic model that is widely used in public health – to establish sort of how we would go forward with the public health components of it. I think if you look at that document, you’ll see for instance, insuring strong starts for children, making sure children can read at grade level by third grade, or trying to
reduce the number of low birthweight babies: those are clear goals of the state. And what we’re providing with this merger is a vehicle to help the state actualize those goals in a coordinated way. That’s one of the things that’s unique and different about this. One of the things we wanted to do in the very beginning was take off the table the notion that we’re doing this just to get ourselves better pricing. Because that has been in essence what has occurred with a lot of mergers, and we agree that that’s a problem with the consolidation that’s occurred in the industry. That’s why we wanted to take that issue off the table from the very beginning, and that’s why we’ve committed to the pricing model that we did, where existing agreed-upon increases in the first full contract year after the first year of the merger, we would actually decrease the agreed-upon pricing increases by 50 percent, and then cap our future increases to the CPI minus .25 percent for hospitals and for medical care. That takes that issue off the table, and it gets us focused where we need to be, on the population health and the improvement of the health of our region. That’s really where the debate ought to be.

**News and Neighbor:** Glad you brought up that quarter percent. What if the Southeast’s trends are lower than that? Is there an openness to that increase being an even greater percentage below the national health care CPI. Because it’s not a huge difference, and there will be lots of systems in the country whose increases will be below that amount, because otherwise you don’t get that mean.

**Levine:** Keep in mind, that’s a cap, and there isn’t one today, and if we merge with an outside system there wouldn’t be and there would likely be pricing increases. So we’re very careful about making sure that we leave ourselves the ability to act within the market, but we will negotiate with the state based on what the state’s position is. But our position is, the number we put out there is an easy-to-identify number, it’s published by the Bureau of Labor Statistics, it can’t be argued, it is what it is, and so we felt that was the easiest way. When you start moving the parts around, then you start having to negotiate every year what the number actually is. We’re going to negotiate with the state, but our position is very measured. We are very confident that the goal of the antitrust or anticompetitive process is to prevent mergers from increasing the cost above what the cost otherwise would have been. We really believe we’ve done that.

**Health Leaders Media:** Can you talk about the antitrust process? I’m sure you were highly cognizant of that throughout this process – how confident you are that there will not be any sort of FTC intervention? What was in the process as you were moving along to insure that no antitrust issues would arise?

**Levine:** Good question. First, no one can predict what the FTC will or won’t do, and we certainly would respect their prerogatives as they see it. That’s why we’ve been following the law very closely. We’ve looked at case law, we’ve looked at Supreme Court rulings. Before we endeavored to do all this, we did our homework to make sure we stayed within the appropriate space, and we believe that we’ve done that. We think the state has a role here, both Tennessee and the Commonwealth. They seem to be taking their role seriously, and we fully expect that we’re going to go through a robust negotiation with both the state and the Commonwealth. I think if we do that – we comply with what we believe are the rules, or what the rules say – we’re well within a safe space. The FTC has spoken at a couple of public forums, they’ve offered their expertise to the state. I suspect the state will take them up on it. It’s probably also instructive to point out, just as we do in the COPA document, if you look at outpatient services, which is more than half of our revenue, outpatient services are very competitive here. Mountain States and Wellmont combined do not have a majority of the market share. Only on inpatient
services do we have about 75 percent of the market share. But on the outpatient side, in areas like home health we’re less than 30 percent or so of the market. If you break up these outpatient services, there’s going to remain a very competitive outpatient environment, and that’s where it’s happening in health care, it’s moving into the outpatient setting. So I think it’s easy to say you’ve got two big systems that are merging and oh, it’s creating something that we don’t want to create. On the other hand, if you look at where the majority of our business is in the outpatient space, it’s incredibly competitive and will be even after the merger.

**Health Leaders Media:** With the 75 percent inpatient (market share), the cap on the cost, do you feel like that is going to play a significant role in arguing your case and perhaps tempering any criticism of control in the inpatient market?

**Levine:** We’ve seen in each case where the FTC has inserted themselves, one of the arguments that they make is, this merger will increase costs. Almost uniformly in every case that’s what they say. And I respect that, and I think we all respected that. And I think it’s hard to say with credibility that this merger will increase costs, when in fact it will decrease costs, and it’s an enforceable commitment that we made. So I really believe that we’ve done what we need to do to deal with those concerns, and certainly we will engage in a dialogue with the states to make sure that we’re certain about that.

**Health Leaders Media:** If you exceed that cap, what happens?

**Levine:** Well, the state has the right to tell us we’re not compliant. Under the COPA, we propose an annual report, and this is a really easy thing to verify. Either we’ve kept our word on the pricing or we haven’t, and if we don’t, then the state has the power to compel us to comply, or to terminate the COPA, which would then subject us to FTC scrutiny in terms of our behavior. Plus there’s a required plan to unwind if the state were to terminate the merger... in terms of the states, they wield a pretty big gavel here, and our behavior in this COPA, it’s important that we comply or we face the repercussions from that.

**News and Neighbor:** Some of the competitors in the outpatient market have expressed some concerns about the additional amount of heft that could impact their ability to, I suppose, gain business, because of privileges and things like that. Do you anticipate them to continue to put that forward at the state level, and do you anticipate the states being pretty strict about making sure there isn’t anything a merged system would do that could impede those private outpatient practices’ ability to be on a level playing field?

**Hove:** I think both states are interested in preserving competition within the marketplace beyond the COPA itself, and would take appropriate steps to make sure – as we’ve declared in our application – we’ll have open medical staffs, we’ll be improving actual access of care where patients will be able to go to their choice location of health care, our physicians will be able to practice at any facility in the region that they choose to do so, so trying to open up that process as opposed to close it down as it relates to the merger coming together.

**Levine:** There are specific conduct commitments that we make in the application. For instance, we can’t tie certain services to inpatient services, which by the way we can do today. We can do that today, but we commit ourselves to certain behaviors that try to preserve the competitive marketplace in the outpatient space. To some degree, we actually give – if you actually read the COPA, we put some data
in there that shows the market share in certain of these services, and you’ll be very surprised to see that in the outpatient space, we’re actually a minority combined – we’re a minority of the market share. A lot of people will be surprised by that.

**Nashville Tennessean:** I was reading over the state’s January 16th response to the summary of the COPA, and they mentioned they were interested in hearing more about plans to address physical inactivity. So I was just curious about what the outlook on that is.

**Levine:** We appreciate that letter. That was actually very instructive for us, and to some degree the state did a really good job of sort of telegraphing what some of the things are that they’re looking for, and we’ve tried to incorporate those into the COPA document. There are things that we’ve put in there to address that. Things that we want to do to increase activity, particularly among children, and we look forward to the dialogue with the state. I think it’s probably important to say this: Whatever we put in the COPA as it relates to these metrics, that’s just the beginning of the process. We need to have some dialogue with the state, which up until this point we’ve not done, in terms of the details of the types of things they want us to focus on to improve health. They need to give us what their priorities are, so we can adapt the COPA and the metrics to those priorities that the state wants us to focus on, and that will be the process between now and the time that it’s approved, presuming it’s approved, where we agree on those specific things they want us to focus on. And then importantly, to measure those on an ongoing basis, because going forward, as we address certain things if we find that we’ve had success, there may be new initiatives they want us to focus on. So I think the COPA as it relates to those things in public health that we’re going to focus on, it’s going to be a living document that has to adapt to the circumstances that we find ourselves in, one year, two years, five years from now.

**News and Neighbor:** One of my colleagues brought up the (Department of Health) letter from January 16. If I recall correctly, one of their six points was asking for some specifics about FTE’s – projections, numbers – is that something that is going to be provided to them but not to the public, or is it somewhere in the document that we received today?

**Levine:** There’s some language in there about that, and I can’t remember the exact language, I would refer you to it, but we did try to answer that question. One thing I’ll say again, and we urge people, we said this in the document, even if we weren’t doing this merger, because of the reimbursement challenges we have, and I’m speaking for Mountain States, we’re already facing a scenario where we have to reduce the cost structure of our system, because we’re getting paid less. This has been an ongoing challenge for us. If there were no merger, we would be seeing a reduction in the number of people that work for us. That’s by necessity. Particularly the non-clinical people, because that’s what’s had to happen all over the country. If we merge with an outside enterprise, you would see a substantial loss in the numbers of people that would be employed locally. The reality is that by merging, there will be the opportunity to create synergies, but I will repeat, with opportunities by eliminating redundancy that’s unnecessary, it gives us the capital to then be able to invest in things that today we can’t invest in, which creates new opportunity to create jobs. So it’s a process, and I’m not going to say it’s all going to be easy. There’s certainly going to be challenges along the way, but the question we could ask ourselves is, do we just want to survive, which is what we’re trying to do now, or do we want to thrive? And the only way you thrive is by making investment, and we think this gives us the capital to be able to make those investments in those things that we can’t currently do today.
Johnson City Press: You mentioned, Alan, the shift from inpatient to outpatient services occurring, and this may be a question to file under things that may have happened anyway, but part of the COPA document talks about differences in the number of certified beds currently, the number of staff beds, and the occupancy or utilization of those. Are you looking at a trend in staff and certified beds being reduced?

Levine: That is happening today. Our use rates here, our inpatient use rates, generally run higher than the national norms. We’re running about 124 admissions per 1,000, whereas the rest of the country is somewhere in the range of 90 to 110. So we’re already seeing a decline, we estimate year over year, about a 4 percent decline per year in the use rates. That’s why the merger makes so much sense, because instead of retaining that redundant capacity, which is very costly to sustain, in an environment where you’re seeing decreased use rates, you’re able to actually come together and have some rational discussions about how to better use the capacity. So instead of just seeing use rates decline, what service can we offer that we’re not offering today. There might be in some communities, instead of having redundant acute care capacity that’s diluted, and both hospitals or three hospitals are losing money, you might be able to consolidate acute care capacity but then create alternative use for that other bed capacity. It might be mental health, it could be long-term acute, it could be rehab, which are services that are not currently offered. I think the use rates are going to decline no matter what happens, and the next question is, when you merge what happens? We think if we’re good at what we do, with improving population health, and we make the community healthier, over time you should see a reduction in hospitalizations. And if that happens, then yes, you’ll see a reduction in the need for inpatient beds, which is a good thing if it’s done the right way.

Health Leaders Media: If all goes well, when do you expect to dot the final I’s and cross the ts, etc?

Levine: March 1st. No, I’m just kidding. I think we’re hoping sometime during the latter part of the summer

Health Leaders Media: What had to be changed in the COPA, to be updated?

Levine: In Tennessee, the original statute said collaborations between hospitals were permitted, but it didn’t explicitly state merger, so we wanted certainty in that. And number two, if you look at the Supreme Court’s rulings and you look at the two-pronged test for state action immunity, there has to be a clear policy articulated that it’s the policy of the state to permit the supplanting of competition with regulation, and we wanted to make sure that that was clearly the policy of the state and that the state said that in law. Now in both Tennessee and Virginia the law does state that, which puts us squarely in the right place when it comes to federal antitrust law. We wanted to make sure first, it was the policy of the state, and then we want to make sure that the commitments we make in the COPA are properly supervised by the state. And the law now reads that way in both Virginia and Tennessee.

WJHL-TV: What if this isn’t approved? Will you go back to the drawing board?

Levine: That’s a hypothetical. We don’t know what the circumstances of that would be. It’s a good question, but it’s a hypothetical – we don’t really want to go down that path. It’s important for both states to support this. If you look at Southwest Virginia, the overwhelming majority of those hospitals in Southwest Virginia are losing money, and we make a commitment to keeping healthcare access in those communities permanently in this COPA. Without the COPA and with the continuing revenue
pressure, it's going to be hard to sustain subsidizing these hospitals. It's very difficult. Almost 70 rural hospitals have closed in the last five years, and there's a reason for that. It's hard to continue to subsidize in communities where the payor mix and the demographics don't support the hospital. So I think both the state of Tennessee and the Commonwealth of Virginia understand the complexities of our market. Commissioner Hazel (Virginia Secretary of Health and Human Resources Dr. Bill Hazel) has a tremendous understanding of the challenges in Southwest Virginia. I certainly don't speak for him, but I can tell you when we talk about improving the health of the region, combined with sustaining those hospitals, he seems very interested in that. As did the governor.
JOHNSON CITY, TN (WJHL) – Mountain States Health Alliance and Wellmont Health System leaders still hope to close on their proposed merger by August, but now the two organizations have to tell state regulators in Tennessee and Virginia about a slight change in plans.

Wellmont confirmed today Executive Vice President and Chief Financial Officer Alice Pope will not be CFO of the merged organization. Instead, Pope is leaving in 60 days to work for a health care system in Arizona, according to Wellmont.

Although the merged organization will now need to find a new CFO and Wellmont and MSHA will need to tell state officials about the change, Wellmont CEO Bart Hove says the change should not significantly impact the merger.

“We don’t believe at this point in time that that departure necessarily impacts either Wellmont or the merged organization going forward,” Hove said.

Wellmont and MSHA officially filed their merger applications with state regulators last month. The more than 2,500-page document lays out the new organization’s commitment to reduce health care costs and invest tens of millions of dollars into the community.

According to Hove and MSHA CEO Alan Levine, both health systems need state regulators to be thorough in their review, since what they’re proposing is a first-of-its-kind idea, but at the same time, the organizations don’t want regulators to take too long. Hove says the longer the wait, the more stressful it becomes for employees who are energized about the merger.

“The longer the process takes, I think that energy starts to wear on people, just because they’re so excited and enthused in moving forward in a cohesive manner,” Hove said.

According to a public records request, just one community member has filed opposition to the plan with the Tennessee Department of Health so far. The 66 year-old raised concerns about wanting to remain with Wellmont doctors and fears about job losses.

“I’m also concerned about employees eventually losing their jobs as time goes on raising the unemployment rate,” the person said in an email to the state. “I have been stressing my concerns ever since I heard that a merger was being contemplated. Please let the community have a say in this matter and let us keep both systems.”

The health systems maintain the two will be better together and the merger will be a positive move for the future of health care across our region. However, they concede there will likely be job losses.
Wellmont and MSHA argue without this merger, the systems would have to merge with organizations from outside this region, which they say would result in somewhere between 600 and 1,000 job losses.

“Are you saying that there will be less than 600 to 1,000 job losses?” we asked.

“Oh, for sure. Yes,” Levine said.

“In the hundreds maybe?” we asked.

“I'm not going to guess,” Levine said. “I can tell you it would be far less than if we merged with an outside system.”

According to Hove, the two systems won’t know specifics about jobs until the end of the regulatory process, but both he and Levine argue long-term there will be a net gain of jobs.

“We actually think there’s going to be an opportunity to net more jobs,” Levine said. “We’re talking about a shift away from in-patient to out-patient services. Yes, near term you have elimination of duplication, which is going to affect certain positions, but when you invest in things like pediatric centers, when you invest in new residential addiction treatment, when you grow other services that you don’t currently have, you have the opportunity to add jobs.”

Another possible impact of the merger involves the future of trauma care at area hospitals. Currently, the region has two Level 1 trauma centers. There is one at Holston Valley Medical Center and another at Johnson City Medical Center. Levine says there are only four other Level 1 trauma centers in Tennessee. He says those are in Memphis, Nashville, Chattanooga and Knoxville. According to Levine, those cities also have pediatric trauma units, unlike the Tri-Cities.

“Wouldn’t it make more sense to look at a different model where you actually use the evidence to determine what's the best service?” Levine asked. “Those other communities figured out you only need one Level 1 trauma center, but you also need a pediatric trauma center.”

In addition to a possible pediatric trauma unit, the organizations also want to combine Wellmont’s Children’s Miracle Network at HVMC in Kingsport with Niswonger Children’s Hospital in Johnson City. Levine says the merger places significant emphasis on children.

“There’s probably the population that’s going to be the most impacted by this merger is children, because we’ve put in the (Certificate of Public Advantage) for instance, trying to tackle child literacy,” Levine said.

According to Levine, the new organization wants to reduce low-birth-weight babies too. In addition, the plan calls for pediatric access emergency rooms throughout the region that
connect to Niswonger Children’s Hospital and pediatric specialty centers in Kingsport and Bristol.

The CEOs say another critical part of the merger is the addition of a “fully integrated addiction recovery campus.”

“I’ve dealt with addiction in my own family and I can tell you residential addiction treatment where you’re emersed in it is a far better solution than just one segment where you’re providing methadone and sending people back into the community where they developed the addiction to begin with,” Levine said.

According to Hove, the focus on addiction is another benefit of a combined effort instead of a fractured health system.

Both CEOs say they will continue to be transparent as the merger moves forward.

“When evidence drives your decisions and you have data to support your decisions, sometimes people don’t like your decisions, but they understand it,” Levine said. “We’re not perfect. We’re going to make mistakes along the way, but I think what I hope people understand is our intentions are 100% to do the right thing for this region first and foremost and for the patients that we serve.”

As state regulators consider the proposed merger, federal regulators continue to keep an eye on the deal too. Wellmont and MSHA leaders have continued to say they will cooperate with the Federal Trade Commission if the agency takes issue with the merger. Levine previously said hospital attorneys have already had talks with FTC attorneys about the merger.

We asked today if the federal government has subpoenaed the organizations about the merger. At the advice of their attorney, the CEOs declined to comment.

“I don’t think we’re going to talk about that,” Levine said.

According to Hove, the FTC is monitoring the merger.

“As recent as last week they did take participate in the organizational meeting that took place in Virginia, so they’re still fully aware of what’s going on with our applications,” he said.
Tennessee pressing MSHA, Wellmont for specific merger information
The Johnson City News & Neighbor
*March 10, 2016*

Tennessee’s Department of Health (TDH) is pressing Mountain States Health Alliance and Wellmont Health System to provide more specific information concerning six "observations" it made Jan. 15 about the systems’ proposed merger.

In a letter dated Feb. 29, TDH’s Allison Thigpen wrote MSHA and Wellmont CEOs Alan Levine and Bart Hove requesting an addendum in response to a Jan. 15 letter she had written with six observations and department positions. That letter, as reported in the February Business Journal, had suggested the systems address the observations and positions in their application for a Certificate of Public Advantage (COPA).

The January letter notes the importance of specifics in the six areas, which include: reinvestment of cost savings; duplication of services; identification of population health disparities; provision of equitable health services; detailed prevention services; and geographic service area.

The Feb. 29 letter, “requests that the applicants provide an addendum to the application ... that specifically addresses the observations and positions raised (in the earlier letter).” It adds that if the application addresses those, the systems need to specify where that is in the current application and note how it responds to the TDH observations and positions (find the January letter at jcnewsandneighbor.com/TDHletter).

Among the specific requests in the January letter is that the systems provide, “a good faith estimate of the number of full-time equivalent positions estimated to be eliminated each year, or if none, other plans to achieve stated efficiencies.” Another request relates to the four areas in which the systems say they would reinvest savings from the merger. The January letter requests specific expected annual expenditures in each reinvestment category.

The January letter also notes a merged system would be responsible for population health beyond the initial 10-year period covered in a January "pre-submission report." “The department is interested in additional longitudinal plans and New Health System expectations for regional population health improvement after the initially-proposed ten year period.”

As of Tuesday morning, the systems had not responded to the Feb. 29 addendum request, TDH spokesman Bill Christian said.
The health system created by merging the Tri-Cities' dominant hospital systems would be positioned to compete with some of the largest systems in the country, and may eventually consider buying other hospitals, leaders said Thursday.

In a meeting with Johnson City Press' editorial board, Mountain States Health Alliance's CEO Alan Levine and his counterpart at Wellmont Health System, Bart Hove, said the new system would be one of the largest in the country affiliated with a medical university and would have a higher patient volume than Vanderbilt University Medical Center.

"Health care, if you take a snapshot today, it’s not a stagnant environment, it is rapidly moving from pay-for-volume to pay-for-value," Hove said, noting the fundamental changes underway in the health care industry. "Part of that concept is to have an organization that is large enough to manage a population and be successful in the long-run in this changing health care environment."

According to a five-year budget for the new system calculated by a contracted consulting firm, total revenue, including investment income and other sources, is expected to reach $2 billion in two years, and revenue from patient services alone could reach that mark by 2020.

Levine said the opportunity for research among the large pool of patients from the system's multi-state service area could help attract federal funding for research, which in turn would help the system attract leading research-oriented physicians.

If the merger is approved by regulators in Virginia and Tennessee, expected this summer, the architects of the new system have vowed to invest $85 million in research over the next 10 years, and have already moved to forge stronger partnerships with East Tennessee State University and other colleges graduating medical professionals.

"If you stand up research potential at ETSU, we can compete for (National Institutes for Health) grants with those other institutions," Levine said. "I think we'd be very large as an academic system, and we'd be a very attractive target for investment and research, which spills over into the issue of workforce and manpower."

With the higher patient volumes and revenues, both executives said the new system would be equipped to punch at a higher weight class against bigger organizations, especially in rural Southwest Virginia, where the competition is "fierce."

Levine, speaking for Mountain States, said the system's biggest competition in Virginia isn't from Wellmont, but from Pikeville (Kentucky) Medical Center, a member of the Mayo Clinic
Care Network, and Clinch Valley Medical Center and Wythe County Community Hospital, affiliated with LifePoint Health, which operates 60 hospitals in 20 states.

"In each of those markets we have hospitals that we are subsidizing that are losing money, and those hospitals are facing some of the most intense competition," he said. "The easiest thing for us to do today is to walk away from those markets financially. If you think about Virginia, combined we are subsidizing $11 million annually in those three markets, where we have some of the most fierce competition we face."

The systems' dedication to maintaining quality care for rural residents is driving their insistence on keeping rural hospitals running, even in areas where only a handful of beds are needed and fewer than one patient is admitted each day, the men said.

In Wise County, Virginia, population 40,000, the two systems operate three hospitals with a combined 89 staffed beds and an average daily occupancy of 58 patients. Mountain States' Norton Community Hospital, the largest of the three, maintains 50 staffed beds and is certified for 129 beds.

Both systems have promised not to close any hospitals within five years of the completion of the merger, and set up a process in regulatory documents that would require a board of stakeholders to approve any closures after that.

Services may be ended at some hospitals, but, for the most part, they will be replaced by other needed services, Hove said.

"The approach that we are trying to promote in those areas is a different approach. It is broadening the access and scope of services that are available," he said. "We have got to diversify ourselves in Wise County, there is no question about that, and there are services that are lacking in Wise County, so we look forward to the opportunity of working with that community and the providers in those markets to be able to offer a broader scope in a location that provides accessibility to those patients."

In October 2013, Wellmont closed Lee County Regional Medical Center, a 70-bed hospital in Pennington Gap, Virginia, citing declining federal reimbursement rates, extremely low use of the facility and a lack of doctors. The county Board of Supervisors paid Wellmont $1.7 million last year for the building, and hope to reopen the hospital for residents.

In that same year, Mountain States bought Unicoi County Memorial Hospital after an intense bidding war with Wellmont. In July, the system bought 45 acres of land for a new, $20 million building to replace the previous hospital, set to open in 2018.

Wellmont is currently in negotiations with Adventist Health System, an arm of the Seventh-day Adventist Church, to purchase Takoma Regional Medical Center in Greeneville.
The deal was supposed to close in November, but Hove said Wellmont's merger discussions briefly turned the system's attention away from the process.

The acquisition, if it happens before the merger closes, would need recognition from the state attorney general to be included in the merger authorization.

Levine, asked whether the potential exists for the system to merge and then be sold to another system, said it's more likely that "we would be in the position of doing the acquiring, as opposed to being acquired."

"We'll be a nearly $2 billion system with 19 hospitals, and I think we'd be in the position to look at other community hospitals that are struggling, largely because of our balance sheet," he continued. "Our balance sheet will be substantially better as a merged system, and with a stronger balance sheet — potentially an A-rated balance sheet — you're in a stronger position to do more acquisition than you are to be acquired."

In their current forms, there are no controls proposed in the regulatory merger documents stopping the new system from acquiring new facilities.

Now submitted to health officials in Tennessee and Virginia, the states will consider the applications for regulatory approval.

In Tennessee, a series of meetings have been scheduled to allow health care stakeholders and residents to comment on the proposed merger. They start later this month.

Virginia is expected to hold similar meetings, but none have yet been scheduled.

Should the states approve the merger, the systems will be ready to move at a moment's notice to close on the deal.
Officials say merger could result in job creation

Johnson City Press
March 13, 2016

A merged health system will command most of the inpatient hospital beds in the region, but health care leaders say competition will remain strong among providers of outpatient care — and leave room to grow.

Speaking Tuesday to the Johnson City Press editorial board, Wellmont Health System CEO Bart Hove and Alan Levine, of Mountain States Health Alliance, said changes in the structure of the country’s health care system have pushed the systems’ focuses away from inpatient care, provided in hospital beds and facilities, toward outpatient care, services rendered in physicians’ offices without hospital admissions.

According to documents filed with Tennessee and Virginia seeking regulatory approval for the proposed merger, Mountain States’ outpatient services include pharmacy, home health, hospice, durable medical equipment, diagnostics, skilled nursing/nursing home and rehabilitation. The documents also highlight the availability of outpatient services not linked to either system, of which the combined system would be in the minority.

“When you look at competition, the majority of our revenue comes from outpatient services,” Levine said. “In the area where the majority of our revenue comes from, even with the combined organization, we have surprisingly little market share. We’re still going to be in an extremely competitive environment, and we’re imposing restrictions on ourselves to sustain that environment.”

Should regulatory approval be granted by the states, the new system would be barred from using its controlling share of the hospitals in the area to force insurance companies to direct patients to affiliated outpatient services.

The systems’ figures attached to their applications claim that independent doctors provide 70 percent of the physician services in Northeast Tennessee and Southwest Virginia. Sixteen outpatient urgent care centers are operated by the systems and 16 are affiliated with other organizations.

The affiliated urgent care clinics will also get a second look after the merger and duplicated services will potentially be repurposed.

On Johnson City’s Med Tech Corridor, both systems currently operate urgent care clinics side-by-side. Levine said one could remain an urgent care clinic, while the other could be turned into a palliative care clinic, providing comfort for seriously ill patients nearing the end of their lives.
“Wouldn’t it make sense to make better use of the capacity to have urgent care that’s being optimally used, and use the other clinic for something that makes more sense?” he asked. “You’ll see some compression, but you’ll also see some expansion.”

The compression, in the form of eliminating redundant facilities and services, will likely come first, he said, then the savings will be reinvested into other areas that are needed or lacking.

One service Levine said had “terrible” availability locally is mental health and drug addiction treatment.

“Neither of us can afford to go and invest the capital to build a residential addiction treatment center, and then go and subsidize a number of people who are uninsured that need those services,” he said. “Where you have redundancy that’s not necessary, you can eliminate the unnecessary cost of that duplication and then reinvest those dollars and services into something that neither system can hardly afford to provide.”

Acknowledging a lawsuit filed to stop the building of an opioid treatment center on Mountain States’ claims of a deceptive land deal, Levine said the best way to treat addiction, and some forms of mental illness, was holistically.

“We got into a dust-up with this methadone clinic that’s trying to come into town, and of course, we filed suit to stop it, but that’s not treatment,” he said. “They sell themselves as, ‘we’re coming in, we’re going to provide this great service,’ sure, somebody that’s addicted, if they give them an alternative to Oxycontin or some other type of opioid that can keep them functional, true, that helps them near-term, but that doesn’t treat them. It doesn’t help them manage the addiction.”

In the applications to the states, the systems pledged $140 million over 10 years in part to create new capacity for residential addiction recovery services and develop community-based mental health resources.

Levine said reinvesting the savings from the merger is the only way to save more than 1,000 medical jobs.

“The way for us to create jobs — if we don’t do the merger, there will not be job creation, there will continue to be job destruction, because the status quo, static environment that we’re in cuts into our revenue; it’s not rocket science,” he said. “The only way you grow jobs is to find a way to be smarter with how you’re spending your money.”
TDH reveals names of local citizens involved in discussions over proposed Wellmont-Mountain States merger

WJHL
March 14, 2016

TRI-CITIES, TN/VA (WJHL) – A group of local citizens will have some input on some potentially big health care changes in our region.

The Tennessee Department of health released their names on Monday. The advisory panel includes a mixture of non-profit leaders and health care professionals from Northeast Tennessee.

According to the Tennessee Department of Health:

“The advisory group will recommend measures to be considered for an index to track the impact, including potential advantages and disadvantages, were a Certificate of Public Advantage to be granted to Mountain States Health Alliance and Wellmont Health System. The advisory group’s work is one important element of efforts by the Tennessee Department of Health to make determinations under the Tennessee COPA statute and rules….The advisory group members, in future public listening sessions, will seek perspectives and recommendations regarding population health, access to health services, economic impacts and other subjects.”

Back in September 2015, the two hospital systems submitted a letter of intent to seek a COPA or a Certificate of Public Advantage. In addition, earlier this year, the hospital systems filled out a pre-submission report (January 2016) and an application for a COPA (Feb. 16).

The TDH says it responded to the pre-submission report and requested clarification of several issues. It also it’s continuing to review the application for COPA as is awaits some financial, confidential and competitively sensitive information from the hospital systems.

According to the TDH:

Under Tennessee law, TDH shall issue a COPA for a cooperative agreement if TDH determines the applicants have demonstrated by clear and convincing evidence that the benefits resulting from the agreement outweigh any disadvantages attributable to a reduction in competition that may result from the agreement. In addition to TDH and the Tennessee Attorney General having responsibility for state laws, the Federal Trade Commission also has authority to ensure compliance with federal law. This is the first time the Tennessee statute has been used to evaluate a proposed merger of hospitals. While the Tennessee COPA statute has existed since 1993, it has not been previously used for this purpose. Rules governing the process were first issued by the Tennessee Department of Health as emergency rules July 14, 2015, and were made permanent Jan. 4, 2016.

Members of the advisory group include Chair Gary Mayes, director of the Sullivan County Regional Health Department; State Representative David Hawk of Greene County; State Representative Matthew Hill of Washington County; Unicoi Mayor Johnny Lynch; Susan Reid, executive director of the First Tennessee Development District; George Brewer, administrator of Hancock Manor Nursing Home in Hancock County; Brent Kelch, executive director of Highland Physicians, Inc. in Sullivan County; Teresa Kidd, PhD, president and CEO of Frontier Health in Washington County; David Kirschke, MD, medical director of the TDH Northeast Tennessee Regional Health Department; Minnie Miller, former director of Johnson County Schools; Erika Phillips, coordinated
school health director for Hawkins County; Chantelle Roberson, assistant general counsel for Blue Cross/Blue Shield of Tennessee; Perry Stuckey, senior vice president and chief human resources officer for Eastman Chemical Company; Jan Tillman, APN, RN, nurse practitioner with Roan Mountain Rural Health Consortia in Carter County; Thomas J. Wennogle, president of JardinZinc in Greene County; and Brenda White, EdD, former CEO of Girls Inc. of Kingsport.

The advisory panel will have their first organizational meeting Tuesday evening at Northeast State Library in Blountville. This is not a public meeting.

To see a list of the upcoming public listening sessions or members of the general public and other stakeholders to voice their thoughts on the proposed merger to the advisory group, visit [http://tn.gov/health/calendar/certificate-of-public-advantage](http://tn.gov/health/calendar/certificate-of-public-advantage)

CLICK HERE TO READ: MSHA and Wellmont’s Certificate of Public Advantage Application

Dates, times and locations for the public meetings are:

- **Tuesday, March 22, 5:30 p.m. – 7:30 p.m.**, Carter County Health Department, 403 East G Street, Elizabethton
- **Tuesday, April 5, 5:30 p.m. – 7:30 p.m.**, Holston Electric Cooperative, 1200 West Main Street, Rogersville
- **Tuesday, May 17, 5:30 p.m. – 7:30 p.m.**, Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville (During this meeting the Advisory Group will present the proposed COPA index and receive comments.)
- **Tuesday, June 7, 5:30 p.m. – 7:30 p.m.**, Northeast State Regional Performing Arts Center, 2425 TN-75, Blountville (Public and stakeholders asked to provide input on whether the COPA should be issued)

Those who are unable to attend one of the listening sessions may provide input by email or regular mail to tn.health@tn.gov or to the Tennessee Department of Health – COPA, 710 James Robertson Parkway, Nashville, TN 37243.
A series of meetings to gauge public response will be the next steps for the proposed merger between Wellmont Health System and Mountain States Health Alliance, officials of both systems said Wednesday.

Last month, applications were submitted for a Certificate of Public Advantage to the Tennessee Department of Health and a similar application to the Southwest Virginia Health Authority.

On Wednesday, Wellmont CEO Bart Hove and MSHA CEO Alan Levine met with members of the Bristol Herald Courier editorial board to discuss their ongoing plans to combine the systems. Jointly, the two operate 19 area hospitals, numerous clinics and other health care facilities.

Tennessee officials have scheduled a series of five public meetings during the next two months. No meetings have yet been scheduled in Virginia.

The first meeting is March 22 in Elizabethton and aimed at the general public. All meetings are open to the public, but others are specifically designed to hear from stakeholders, including employees, businesses, and competing health care providers.

“The state [Tennessee] has already scheduled their hearings for input from the public, stakeholders and staff,” Hove said. “That is to seek input on perceptions and ideas our
communities may have related to the COPA application. We hope they will move rapidly through this process; neither state has declared the applications complete yet so the clock doesn’t start running until they do so.”

In Tennessee, the state allots 120 days to complete its review, while Virginia’s review is 150 days, once each declares the applications complete.

“We are ready, willing and able to cooperate with them, answer any questions they have about our application or submit additional information if they feel like it’s needed. We haven’t gotten any of those requests yet and we’re looking forward to that dialogue,” he added.

MSHA CEO Alan Levine said both systems are anxious to proceed.

“We’re at a point, both systems have been involved for a year now. We’ve taken a lot of time since we announced this getting the i’s dotted and t’s crossed so we don’t want folks burned out from the process,” Levine said. “And when you’re in this period waiting for an approval, there are a lot of decisions you can’t make. The sooner we can get the transaction consummated and start moving forward, the better for everybody. Until we get the state’s approval, we really can’t.”

If a COPA is issued, the Tennessee Department of Health will be responsible for ongoing, active supervision. That supervision includes a “transparent index of measures of population health, access to health services, economic and other factors,” according to the health department website. Should a COPA be issued, the results of the index would be publicly reported on a regular basis.

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Hospital merger-related advisory group seeks input March 22

BY JEFF KEELING

The advisory group tasked with developing, "a transparent index of measures" designed to track the success of a Mountain States Health Alliance-Wellmont Health System merger will hold its first public "listening session" in Elizabethton Tuesday. The meeting is from 5:30-7:30 p.m. at the Carter County Health Department, 403 E. G St.

The 16-member group chaired by Sullivan County Health Department Director Gary Mayes met for the first time yesterday. Its index is to include measures of population health, access to health services, economic and other factors. Benefits to the general public in those areas are required to outweigh any disadvantages brought on by diminished competition that will result if the COPA, and thus the merger, is approved.

Members of the public may also provide input on whether they believe the COPA should be issued. Online that can be done at tn.gov/health/article/certificate-of-public-advantage-how-to-comment. A public meeting on the COPA application itself is set for June 7, 5:30-7:30 p.m. at the Northeast Tennessee Regional Performing Arts Center, 2425 Highway 75, Blountville.

The advisory group, appointed by the Tennessee Department of Health Commissioner Dr. John Dreyzehner, includes health care representatives, state and local elected officials, mental health representatives and business leaders. The director of a non-affiliated physicians practice group and a BlueCross BlueShield lawyer also are represented.

Tuesday's meeting is the first at which the general public can provide input for the measures that will make up the index. Another is scheduled in Rogersville April 5. A meeting for employees and other "internal stakeholders," and another for external stakeholders including competing health care providers, are scheduled for March 29 and April 19, respectively.

The advisory group will meet three times between April 26 and May 10 prior to final listening session for the public and all stakeholders, May 17 from 5:30-7:30 p.m. at Northeast State Regional Performing Arts Center in Blountville.
**Will health care merger actually help competition?**

**Johnson City Press**  
*March 21, 2016*

Officials with Mountain States Health Alliance and Wellmont Health System say a proposed merger of their two systems will actually lead to a healthier competition of services in the region. While the new consolidated health system would command most of the inpatient hospital beds in the area, Wellmont CEO Bart Hove and MSHA CEO Alan Levine both say competition should remain strong for outpatient care.

The two health care leaders told the Johnson City Press earlier this month that changes in the way this country’s health care system works have pushed their systems' attention away from inpatient care (which has been traditionally provided in hospital beds and facilities) to outpatient services that are rendered in physicians’ offices without hospital admissions.

As Press Assistant News Editor Nathan Baker has reported, documents filed with Tennessee and Virginia seeking regulatory approval for the merger note that Mountain States’ outpatient services include pharmacy, home health, hospice, durable medical equipment, diagnostics, skilled nursing/nursing home and rehabilitation.

“When you look at competition, the majority of our revenue comes from outpatient services,” Levine said. “In the area where the majority of our revenue comes from, even with the combined organization, we have surprisingly little market share. We’re still going to be in an extremely competitive environment, and we’re imposing restrictions on ourselves to sustain that environment.”

If the merger is approved by Tennessee and Virginia regulators, the new health system giant would be barred from using its controlling share of the hospitals in the area to force insurance companies to direct patients to affiliated outpatient services. Currently, there are 16 outpatient urgent care centers operated by either MSHA or Wellmont and another 16 are affiliated with other organizations.

Once merged, Levine said the two systems would look to repurpose some of its clinics and facilities to end redundancy. He said such compression would provide savings that could be reinvested into health services that are lacking.

One such service needing attention, Levine said, is what he called the “terrible” availability of mental health and drug addiction treatment services in the area.

Tell us what you think. Do you believe competition for most health services will improve with a merger of the MSHA and Wellmont systems?

Send your comments to mailbag@johnsoncitypress.com. Please include your name, telephone number and address for verification.
COPA advisory panel draws first comments

JESSICA FULLER • MAR 22, 2016 AT 9:26 PM
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The public offered about an hour of comments Tuesday night on their thoughts about the merger of Mountain States Health Alliance and Wellmont Health System.

The meeting, the first of six, focused on a certificate of public advantage, which is written approval by the Tennessee Department of Health of a cooperative agreement between two or more hospitals — in this case, the merger between MSHA and Wellmont. According to the TDH website, the COPA serves to protect the public in the region affected, and a COPA advisory board appointed by the TDH will travel the region for five more meetings to listen to public comments and concerns.

Tuesday night’s meeting at the Carter County Health Department brought public comments on regional health concerns like obesity, cardiac disease, diabetes and prescription drug abuse. Gary Mayes, group chairman and regional director of the Sullivan County Health Department, said he felt the first meeting was productive. “That’s what this process is about — to make sure we get good public feedback and a very transparent process,” Mayes said, adding he felt the speakers of the night were interested and well-informed.

Steve Hopland, CEO of Medical Care, said that while he wasn’t opposed to the merger, he had concerns about the possible implications of putting too much power into one system, or being cut out of contracts due to a monopoly status. He told the board he believes there should be some sort of check and balance system to accompany the merged system and its future status as the biggest health care system in the region. “When you have that much vertical integration, we have concerns that they might abuse that additional power and that additional monopoly status that they have,” he said.

The next meeting and public hearing will be March 29 at Northeast State Community College’s Performing Arts Center from 5:30 to 7:30 p.m. A full schedule can be found at the Tennessee Department of Health’s website.
Next week marks one year since Mountain States Health Alliance and Wellmont Health System announced the two would merge.

News 5 WCYB’s Preston Ayres was the first to report on the merger and he sat down with the two CEO’s to find out what hurdles still lay in front of the deal.

Mountain States Health Alliance and Wellmont Health System executives say now is do or die for their companies

"The gauntlet has been dropped, health care is under attack from many angles and we have to be more prudent with the dollars we are able to generate," Bart Hove said.

The hospital industry is facing several threats to revenue from different angels.
"The largest insurance mergers in history are happening now 80 to 90 percent of our non-government payers will be controlled by three payers," Alan Levine said.

Wellmont and Mountain States are in a wait and see mode right now while state officials in Tennessee and Virginia review their own merger application.

"I think they are taking if very serious, Commisioner Drizner in Tennessee, Secretary Hazel in Virginia both have asked a lot of good questions," Levine said.

One of the biggest questions from many people, including Tennessee's Commissioner of Health, is the lack of competition after the merger.

"There is still going to be a tremendous amount of competition the market its not like there isn't going to be any competition," Levine said.

Part of the deal they are presenting to the states includes lower prices.

The new company is proposing slashing its previously set price increase structure by 50 percent.

Future increases would also be limited under the certificate of public advantage.

"That is a 50 percent reduction in pricing growth and a substantial reduction in what the pricing would have been had we not done the merger," Levine said.

He also said the only way to limit price increases in the Tri-Cities is to combine.

"It's a factual statement to say pricing will actually go up more if we don't do the merger than if we do the merger," Levine said.

But with that comes pain. Some jobs will be lost.

"You do have an impact in the near term where you a lot of redundancies that is not necessary but then you take those cenergies and re invest them where you are not currently providing services," Levine said.

Their plan to off set those losses is through re-investment, especially in areas like research and mental health by teaming with ETSU.

It's part of a way to create jobs and bring in more specialized doctors.

The plan was filed last month and an answer is expected by the end of summer.

The Advisory Committee set up by the Tennessee Department of Health is holding several community listening sessions.

The next one is coming up in Blountville for those who work with the two health systems.
MSHA/Wellmont merger docs: $25 million in possible labor expense savings

For the first time, the hospitals reveal what departments could be impacted by labor cuts if a merger is approved

JOHNSON CITY (WJHL) – If the Tri-Cities’ two hospital systems get permission to merge, the companies could eliminate at least $25 million a year in costs related to healthcare jobs.

Mountain States Health Alliance and Wellmont Health system revealed that information in recently filed paperwork in response to questions by the Tennessee Department of Health about the companies’ application for state permission to merge.

A spokesman said any job cuts would happen over time and largely through attrition as service duplication is eliminated. And the companies say money saved would be reinvested in new health services that will create new jobs.

In an interview just a few weeks ago, MSHA and Wellmont top executives said it was too soon in the process to give a specific number of jobs that would be eliminated if Virginia and Tennessee grant a Certificate of Public Advantage (COPA) allowing the merger to happen.

READ: The 2,578 page application for a Certificate of Public Advantage

“We are still not able to have those detailed discussions,” Bart Hove, Wellmont Health System CEO, told News Channel 11’s Nate Morabito. “Further details of that probably won’t be available to us until after we get to the COPA review and actually see the light at the end of the tunnel for a positive decision.”

MSHA CEO Alan Levine said the number would be less than the 600 to 1,000 jobs he estimates would be lost if the companies were purchased by firms outside the region, an inevitable event in the current market climate, Levine said.

“It’s not a choice between the status quo and a merger,” Levine said. “It’s a choice between the merger and the systems joining larger outside systems.”

But after receiving the hospital systems’ COPA application, the Tennessee Department of Health indicated it wants more information about several topics, including the potential impact on jobs.

CLICK HERE to see the State’s request for more information
The department of health wrote the companies, saying “specifically, the department will require a good faith estimate of the number of full time equivalent positions estimated to be eliminated each year….”

In its reply sent March 17, MSHA and Wellmont repeated their position that they couldn’t offer a specific number until after permission to merge is granted, saying they “do not believe it is appropriate to undertake the process without the full and complete participation of community stakeholders after the COPA is granted.”

READ the MSHA and Wellmont response to the State’s request for more information

But they offered what they called a conservative estimate of labor cost savings. “The Parties have identified potential savings from the merger in labor expenses totaling approximately $25 million annually.”

“The Labor Efficiencies are considered “conservative” since the savings discussed do not include any clinical personnel, and the clinical alignment process has only commenced with the identification of preliminary consolidation opportunities.”

MSHA and Wellmont revealed which areas could see labor reductions if permission to merge is granted.

– Administration
– Biomedical Engineering
– Patient Access/Registration
– Finance and Accounting
– Health Information Management
– Human Resources
– Facilities and Maintenance
– Security
– Supply Chain
– other departments and areas

The companies said labor reductions would allow the merged company to create new healthcare programs which in turn would create new jobs. New programs could include enhanced pediatric services, residential addiction treatment centers, and intensified medical research.

“While national trends in health care will apply in this region and could negatively impact the workforce over time, the Parties strongly believe the net effect of the merger on the health care workforce in the region will be positive rather than negative,” the companies told the state.

MSHA and Wellmont hope to win state permission to merge by late summer.

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Advisory group hosting meetings regarding proposed health merger

DAVID MCGEE | BRISTOL HERALD COURIER | Updated 3 days ago

Earl Neikirk/BHC

Gary Mayes, director of the Sullivan County Regional Health Department, talks about the COPA Index Advisory Group he is the chairman of that is taking input from the community on the merger of Wellmont and MSHA.

BLOUNTVILLE, Tenn. — A 16-member panel of regional leaders will host the second in a series of listening sessions Tuesday about the proposed merger of two area health care systems.

Recently appointed by Tennessee Secretary of Health John Dreyzehner, the advisory group is conducting meetings to gather public and stakeholder input on the Certificate of Public Advantage application filed last month by Wellmont Health System and Mountain States Health Alliance. Once those meetings are completed, the committee will establish a series of measures — developed from the public’s input — to help the commissioner render a decision.

“Part of the COPA process is the commissioner appoints an advisory group to develop an index, sometimes referred to as measures, to demonstrate the merged entity is more beneficial or has advantages over the loss of competition. The advisory group comes up with ways to measure the
hospital system is productive,” said group Chairman Gary Mayes, director of the Sullivan County Regional Health Department.

The two longtime competitors jointly announced last year their desire to merge operations of 19 hospitals and other health care facilities, along with about 14,000 employees across Northeast Tennessee and Southwest Virginia.

Both systems jointly submitted a nearly 2,600-page application to the state of Tennessee and a 3,700-page application to Virginia. The Virginia process will begin with the Southwest Virginia Health Authority.

“The group is a good representation of the people of Northeast Tennessee — a good, knowledgeable, diverse group — and their task is very important as part of the Certificate of Public Advantage process,” Mayes said. “I’m optimistic the advisory group will develop a good product for the commissioner to consider.”

Nobody from either health care system has any role with the advisory committee.

“The committee will not be making a decision about the merger certificate and the application itself; that is not our role. Our role is strictly very specific to develop the measures to make sure there is more of a public advantage than disadvantage,” Mayes said.

He compared the index to a report card students might receive in school.

“Under the COPA, they [systems] need to demonstrate in a robust way there are advantages over the decreased level of competition. The index, or measures as we call them, could be based on a report card A-F system,” Mayes said. “The merged entity could be a C or it could be an A. The measures are a way to evaluate that level of service as to cost, access to care, quality of care and other issues related to health in the region.”

Under Tennessee law, the state health department shall issue a COPA for a cooperative agreement if it determines the applicants demonstrate “by clear and convincing evidence that the benefits resulting from the agreement outweigh any disadvantages attributable to a reduction in competition,” according to a written statement.

This is the first time the Tennessee statute has been used to evaluate a proposed merger of hospital systems.

Mayes said the process will be as “transparent as possible,” with all sessions open to the public and information available online.

“All the meetings are recorded and transcribed. Those will be posted on the Internet,” Mayes said. “The commissioner wants to make sure the people of Northeast Tennessee impacted by the proposed merger have an opportunity to share their optimism or share any concerns about the health care impact to them or their families. We’re beginning that process of actively listening to the people and taking into account their feedback.”
The advisory group held its first listening session for the general public Tuesday night in Elizabethton, where about a dozen people spoke or raised questions.

“The first meeting was very productive. We received great comments, good concerns,” Mayes said. “We also received hand-written comments. We understand not everyone feels comfortable speaking in front of a group, but we want everyone to have an opportunity. People can submit their comments anonymously or they can go to the Tennessee Department of Health and submit comments online. Or they can call members of the committee or speak to us one on one.”

While all meetings are open to the public, some are designed to get feedback from certain constituencies. The session scheduled Tuesday at Northeast State Community College in Blountville is specifically designed to get input from current employees of both systems, contractors and vendors.

Additional hearings are April 5 in Rogersville, April 19 and May 17 at Northeast State. The index is now scheduled to be completed and presented at the May 17 meeting.

Mayes said he hopes anyone interested in the potential merger will get involved.

“Health care is very personal; our hospitals are very important. There aren’t many things as important as our own health,” Mayes said. “If it’s access to care issues or cost or stakeholder issues — providers, physicians, employees — everyone has their own perspective.”
Regional health systems nearing merger decision

NATHAN BAKER• MAR 26, 2016 AT 4:28 PM
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A year after Mountain States Health Alliance and Wellmont Health System announced their intentions to merge into one regional hospital system, the fate of the proposal now rests in the hands of regulators in Tennessee and Virginia.

On Feb. 16, the leaders of the nonprofit health organizations submitted thousands of pages of documents to state regulators in Tennessee and Virginia asking for a certificate of public advantage from the former and a letter authorizing a cooperative agreement from the latter.

The applications kicked off a review process in both states, at least 120 days in Tennessee and 150 in Virginia, giving the health officials time to ponder the proposals before making final determinations, which the systems hope will be made in their favor this fall.

Should regulatory approval be granted, the merged system would operate 19 hospitals, dominating the inpatient care system locally, and is expected to to reach $2 billion in annual revenues in two years, according to a budget included in the applications.

By vowing to dedicate $450 million over the next 10 years to a series of public health initiatives, like expanding mental health and addiction-recovery programs, increasing medical research opportunities and establishing an electronic medical records system, the organizations hope to win public favor for the merger. They hope regulatory approval will be granted based on the cost controls offered in the applications, which tie service cost increases to the hospital Consumer Price Index, a national average of health care costs.

In the applications, the systems offer a 50 percent decrease in cost increases in existing service contracts with insurance companies.

In following years, fee increases would be capped at 0.25 percent below the average rate of increase in the CPI. Rates for physicians and outpatient services will operate under similar caps.

If the new system violates the imposed cap, the states could rescind the special approval of the merger, and the system could be forced to break up.

The COPA and cooperative agreement letter applications promise to keep all currently operating hospitals open for at least five years after the merger is approved, but “may adjust the scope of services or repurpose hospital facilities” after that, though a process for closing medical facilities to first assess their need in their containing communities will be established.

The documents don’t say whether jobs will be lost, or how many might be, but the authors do say adding new services and programs is expected to make up for any changes in medical personnel.

The Tennessee Department of Health Commissioner John Dreyzehner has already appointed a 16-member board to collect public input from Tennesseans over the course of the next six weeks.

Virginia is expected to follow similar procedure, but has not yet announced a public meeting schedule.
Wellmont, Mountain States take steps to merge

By HANK HAYES
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KINGSPORT — Wellmont Health System and Mountain States Health Alliance continue on a pathway toward a merger.

The two health care providers have filed applications for a Certificate of Public Advantage (COPA) in Tennessee and a cooperative agreement in Virginia that would enable them to unite.

Both applications include a copy of a definitive agreement between the two health systems, which was unanimously approved by the boards of both organizations.

The definitive agreement is a binding legal document that outlines how the two health systems would unite their operations upon approval by the states.

Both systems have committed to make millions of dollars in investments in population health, expanding mental health and research.

By filing these applications with the Tennessee Department of Health and the Southwest Virginia Health Authority, the proposed merger is now in a formal review phase by regulators in Tennessee and Virginia.

“As we embark on this next phase, we welcome the opportunity to work with officials in Tennessee and Virginia as they review our applications,” Mountain States board Chair Barbara Allen said. “We have invested a tremendous amount of work into gathering community and internal feedback, reviewing best practices, and carefully crafting our applications according to the criteria in the state statutes.”

“The filing of these applications and the unanimous approval of the definitive agreement demonstrate our excitement for the proposed merger and the good it will provide for our region,” said Wellmont board Chair Roger Leonard. “When we announced our plans in April 2015, we believed we could be better together. Now, nearly a year later, we are enthusiastic to see our proposed plans taking shape into an innovative organization that will positively impact the health of our region for generations.”

This process is expected to extend into the late summer of 2016 but may take longer.

Each application addresses subjects such as the organizational structure of the proposed system and commitments to improve the region’s health, expand access to care and stem the pace of health care cost growth by reducing negotiated rates and placing caps on rates moving forward.

The COPA and cooperative agreement applications includes nearly 60 supportive letters from employers, community organizations and other leaders in the area.

A Joint Board Task Force will continue to oversee work on plans for integrating the two organizations’ operations, cultures and shared vision while health system officials continue their dialogue with state officials over the coming months.

Wellmont and Mountain States have competed with each other in certain areas and with other health care providers since the formation of the two systems in the late 1990s. Both systems have Level I Trauma Centers.

In the early 2000s, Wellmont applied for and initially was awarded a certificate of need (CON) to construct a secondary hospital facility in Johnson City, but that CON was overturned following a challenge by Mountain States.

Wellmont’s 2007 CON application for a freestanding Emergency Room to be located on the northern boundary of Johnson City was also denied following opposition by Mountain States.

Beginning in 2012, Wellmont and Mountain States competed in a public contest for the acquisition of Unicoi County Memorial Hospital. Mountain States acquired that facility in 2013.

Both systems have attempted to collaborate in certain areas, but have been unsuccessful due to the competitive environment, according to the Tennessee application.

Mountain States President and CEO Alan Levine is scheduled to lead the merged system.

To find out more about the merger, visit www.BecomingBetterTogether.org.
The buzzwords "merger" and "acquisition" seem to be common language these days for a growing number of hospitals -- especially in the Tri-Cities region.

But these words have yet to appear in Laughlin Memorial Hospital's vocabulary.

Yes, Laughlin Hospital officials have developed working relationships with other facilities in the past and present. But the hospital has continued to remain independently owned and operated with a local board of directors throughout each affiliation -- even though this can have pros and cons.

"While keeping control local is a definite plus to being independent -- not being a part of a larger organization or system has its disadvantages, too," Laughlin Memorial Hospital, Inc., president and CEO Chuck Whitfield said.

"There are many resources that a large system could offer LMH that as an independent facility, we are just not able to provide," Whitfield said.
"These resources could be anything from gaining access to group purchasing opportunities that may provide better pricing, negotiating leverage with our payors, regulatory compliance assistance and access to capital on more advantageous terms than we may be able to obtain as an independent," he added.

Whitfield went on to say that while Laughlin's independence has been "a good situation to be in over the years, I do not think anyone believes we can remain that way forever. Our industry is changing too quickly for us to expect that to occur."

AREA MERGERS

Whitfield is especially reminded of those industry changes as two of the region's competing hospital system giants -- Johnson City's Mountain States Health Alliance and the Kingsport-based Wellmont Health System -- continue down the path toward a likely merger.

Even Laughlin's cross-town competitor, Takoma Regional Hospital, has been either entirely or partly owned by the Seventh-day Adventist Church or Adventist Health System since 1953.

Takoma was also, at one time, under partial ownership by Wellmont Health System -- and will likely soon come under full ownership of the health system.

In August, Wellmont officials announced plans to fully purchase Takoma from Adventist Health System. That proposal has not yet been completed, as Wellmont continues the merging process with Mountain States Health Alliance.

Officials with both Takoma and Wellmont, however, said recently that the full acquisition of Takoma continues to move forward even with the Wellmont/MSHA merger progressing.

Through the years, Whitfield said Laughlin Hospital has worked closely with both Mountain States and Wellmont, while maintaining its own independence.

WORKING RELATIONSHIPS
"We've always maintained good working relationships with both Mountain States Health Alliance and Wellmont, and I fully expect that to continue -- whether they merge or don't merge," Whitfield said.

In the mid-1990s, Laughlin officials entertained the notion of entering into a joint operating agreement with Johnson City Medical Center, the flagship hospital of Mountain States Health Alliance.

In 1998 -- about the same time that Laughlin was considering the joint operating agreement -- Johnson City Medical Center purchased six hospitals from Columbia HCA, transforming itself from a single-hospital entity into a multi-hospital health system. (It was in 1999 that Mountain States Health Alliance was ultimately born.)

When this happened, the Laughlin board decided that a less-binding affiliation agreement -- and not a full joint operating agreement -- with the Johnson City hospital would be best for the smaller Greeneville hospital. This decision was made due to what Whitfield described as "the complex nature" that entering into a joint operating venture with a larger health system could bring to Laughlin.

"We were in that affiliation agreement (with Johnson City Medical Center) for a long, long time," Whitfield said.

A couple of years ago, Whitfield explained, Laughlin officials decided "to terminate" that affiliation agreement, though.

"There was some language in [the agreement] that our board felt like tied our hands," Whitfield said.

"We were limited to only being allowed to talk to Mountain States -- so we could not have talked with Wellmont ... or anybody else," if another opportunity arose, Whitfield explained.

Dissolving the affiliation agreement with Mountain States, was "not anything personal or due to any bad blood," Whitfield said. Rather, he said, "it was simply so our board could [converse with other entities] in the event that anything ever came up."

One such opportunity did later arise for Laughlin.
In 2005, Laughlin built a $20 million addition to its existing hospital building. The new wing included Greeneville's first cardiac catheterization laboratory.

About four years ago, Laughlin entered into a cardiology service line agreement with Wellmont Health System through the Wellmont CVA Heart Institute.

Wellmont "helps us manage the cardiology services here, which includes the cath lab," Whitfield explained. Such a relationship could not have happened under Laughlin's former affiliation agreement with Mountain States.

NATIONAL MERGING TREND

Across the nation, corporate mergers have become the trend for a growing number of hospitals. In 2014 alone, there were 95 hospital mergers, acquisitions and joint ventures among U.S. hospitals, according to Dr. Gregory Curfman, editor in chief of Harvard Health Publications. In 2013, that number was 98.

This trend elicits both positive and negative reactions.

In a 2015 article, Curfman wrote that many hospital administrators feel that a merger "improves efficiency, access to care and quality of care -- and may lower costs because, in theory, the more care a hospital provides, the more efficient and less expensive it should become.

"For example, when a smaller hospital merges with a larger, better-equipped hospital system, patients at the smaller hospital may acquire better access to specialists and to advanced medical technologies, such as high tech imaging procedures and electronic medical record systems.

Other health economists, Curfman said, are "wary" about the growing number of hospital mergers.

"When individual hospitals merge into larger systems, they gain a larger share of the consumer health market," he said. "That puts them in a position to ask health insurance companies to pay more for medical care and procedures."

The hospitals may benefit, but, ultimately, paying patients may not, he said, pointing the finger of blame at insurance companies.
"These higher prices are not borne by the insurers, but by consumers in the form of greater premiums," Curfman said. "Thus, some economists argue, mergers drive up health care costs and place added financial pressure on consumers."

LAUGHLIN HISTORY

Laughlin Hospital was founded in 1939 by the late Dr. C.B. Laughlin, who purchased a house on North Main Street in downtown Greeneville and converted it into a small hospital clinic.

As the clinic grew with patients, Dr. Laughlin continued to add physicians and services.

Today, Dr. Laughlin's small visionary hospital has evolved and grown into a multi-faceted facility that provides an array of services to the people of Greeneville, Greene County and the surrounding area.

In 1952, Laughlin Clinic incorporated and operated as a for-profit business over the next decade until the decision was made to reincorporate as a not-for-profit hospital, Whitfield said.

With this change in 1963, the hospital's stockholders were eliminated and all profits generated by the hospital were allocated toward hospital operations to purchase new equipment, enhance facilities and other areas that benefit the community.

This is how Laughlin Hospital has continued to operate ever since. Any profits remaining after the close of each fiscal year have been reinvested back into the hospital, officials have long touted.

Whitfield says he recognizes the new challenges and regulations faced by hospitals today -- especially among those facilities, like Laughlin, that continue to operate independently.

"When I became CEO in 1997, I was fortunate enough to inherit a situation where the hospital was in an extremely strong financial position," Whitfield said.

He credited strong reserves built up by his predecessor and previous boards of directors.
"These reserves have allowed LMH to remain independent and to weather the uncertainty brought about by the unprecedented changes in reimbursement policies and increased regulation we have faced as an industry over the last ten years," he said.

"We have been forced to deal with year-after-year reductions in Medicare, Medicaid and commercial insurance payments, while at the same time experiencing increased amounts of self-pay, bad debt and charity care," he said.

Whitfield also said he thinks the health care industry is perhaps the most regulated industry in the country, which comes with costs to hospitals like Laughlin.

"Throughout these difficult times, however, our board has always placed an emphasis on maintaining the hospital’s independence so that decisions made in regards to how the hospital functions and the services we provide our local community can be made at the local level, and not by a group of individuals or an organization, no matter how good intentioned they may be, located outside of our community," Whitfield said.

"However, one thing that will enable us to prolong our independence for the benefit of our community is for our community to access their health care needs at the local level and not travel out of county for services that are available locally," Whitfield said.

"We can't survive if we don't have community support," he noted.
Rivalry created overbuilt system

HANK HAYES• UPDATED YESTERDAY AT 9:34 AM
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KINGSPORT — A few pages inside documents filed in both Tennessee and Virginia give a snapshot of an apparent bloated business structure that needs to shape up.

That business structure is made up of Mountain States Health Alliance (MSHA) and Wellmont Health System. The two competing hospital systems, which are on a pathway to merge this year, have way more staffed and licensed beds than patients to fill them.

MSHA, for instance, reported having 1,669 licensed beds with an average daily census of 734 in 2013. In that same year, Wellmont said it had 1,011 licensed beds with an average daily census of 430.

In Kingsport, MSHA’s Indian Path Medical Center reported an average daily census of 63 out of its 168 staffed beds — 37.4 percent occupancy. Indian Path’s Wellmont counterpart, Holston Valley Medical Center, said its average daily census was 225 out of 339 staffed beds — a 66.4 percent occupancy rate.

The merged system’s plan is for Johnson City Medical Center, Holston Valley Medical Center and Bristol Regional Medical Center to be its three full-service tertiary referral hospitals.

But the two systems’ Certificate of Public Advantage (COPA) filing in Tennessee and Cooperate Agreement filing in Virginia point out more than 60 rural hospitals have closed across the nation since 2010, including six in Tennessee and one in Virginia.

In that paperwork, both Wellmont and MSHA have committed to keep all their facilities open for the first five years after they merge.

But after that time period, would some facilities close or be re-purposed?
MSHA President and CEO Alan Levine said the answer to that question will depend upon the needs of each community in the region.

“Each market will address what the local community needs are and then from that you determine what the service offerings are going to be,” Levine, who will lead the merged system, said in a meeting with the Times-News Editorial Board. “Even beyond that (five-year period) we are committed to everyone in those markets in providing the access points that are appropriate for that market.”

The overwhelming number of assets between the two systems are rural. Four of Wellmont’s six hospitals are rural, and have below 50 staffed beds, each with a daily census ranging from 3 to 13. Seven of MSHA’s hospitals are rural, and have below 50 staffed beds, each with a census ranging from 1 to 35. In remote Wise County, Va., Wellmont owns two secondary acute care hospitals competing with one MSHA facility.

“The logical question is do you need three acute care hospitals or are there current needs not being met because we’re putting all our resources into replicating acute care beds instead of investing in a long-term care site or rehab or other types of services that might be needed,” Levine observed. “That’s the kind of analysis you need to go through ... What we don’t want to see necessarily is the hospitals close. We really don’t want to see them close because of how important they are in those communities. What we want to see is have them be purposed based on the needs of the communities.”
Wellmont President and CEO Bart Hove noted more money is being made from out-patient facilities than from patients lying in hospital beds. “Years ago that was unheard of,” he said. While the in-patient is still important, there’s a lot of activity and well-trained exceptional providers who deliver care in the out-patient environment and that’s equally important to our success.”

Levine added: “Over time, you’re going to see the need for in-patient beds to decline.”

When asked about the future of Indian Path, Levine said its daily census can fluctuate widely because of what’s going on at Holston Valley.

“If the ER (emergency room) gets really busy at Holston Valley ... if Indian Path wasn’t there and didn’t have those services, those services wouldn’t be available,” Levine explained. “Indian Path doesn’t look much different from one year from the point of the merger.”

The merged system would have revenues approaching $2 billion, about $1.5 billion in debt, and more than 600 physicians.

Still, Levine pointed out the two systems, even after a merger, are up against serious headwinds: Plans by the federal government to cut $700 billion from the program plus pricing pressure from insurers.

The merged system has also committed to invest $75 million in population health, $140 million in mental health, $85 million in research activities and $150 million in integrating health records. “We have no intentions of issuing new debt,” Levine said when asked how those new investments will be paid for.

If approved by Tennessee and Virginia, the merger would be regulated by both states, but would still be under scrutiny from the Federal Trade Commission (FTC).

When asked if the systems have done enough due diligence to satisfy the FTC, Hove said he couldn’t view the planned merger from an FTC perspective.

“From a professional standpoint, we feel like we have done an abundance of due diligence to put us in a comfort zone where we feel the representation presented in the COPA application itself is believable, achievable and the states in their monitoring process would be able to validate for the system going forward. The short answer is yes,” Hove responded.

If the merger goes forward, Levine said developing a “common culture” will be key to its success.

The two systems have competed hard against each other for years in facilities and service development. Outside consultants, said Levine, did a “deep dive assessment” to see if Wellmont’s and MSHA’s culture would make a good fit.

“They met with physicians, housekeepers, and board members,” Levine said of the assessment. “When you get below the board and senior management, there is very little difference in our cultures ... most of the people here grew up together, went to church, went to school together ... the zest for competition was really at the highest levels. It gets personal ... there’s a strong desire to not lose ... We need to move toward a culture of us.”
Letters: Health system merger will not promote lasting competition

CONTRIBUTED TO THE PRESS• MAR 29, 2016 AT 12:22 AM

I believe the merger between Mountain States Health Alliance and Wellmont Health System will not improve health care services. The merger will combine all health services at the beginning and then — one by one — will begin closing centers, thereby actually creating fewer health care clinics, hospitals and doctor’s offices. Jobs will be cut and patients will have fewer choices on where to go for services.

Each office will have an increase in patient count with fewer doctors and nurses to see them. Already, I have a longer wait time to see my doctor because his schedule is increasingly tight. Also, decreasing hospital stays actually work in favor for the MSHA and Wellmont merger because insurance companies will pay each hospital a bonus for fewer admissions. It is now even done as patients are admitted “under observation” instead of regular admission.

Observation admissions are not counted as real admissions and the decreased overall admissions’ count actually gives the hospital an incentive bonus for this by the insurance companies. But when a patient is admitted “under observation” he or she does not qualify for in home health services by their insurance companies.

Yes, I believe we need more and better mental health services, but cutting regular clinics will not help. Methadone clinics will increase as insurance companies will pay more for patients to use these clinics. But will these clinics decrease drug addiction? I don’t believe it will.

Competition has always been good for the economy. Mountain Bell Telephone Company was ordered to disband in the 1980s because it had monopolized the market. Other phone companies sprang up and prices went down as each new company vied for customers.

The same happens with hospitals. A merger will create a monopoly no matter what they call it.

HELEN WRIGHT
Johnson City

More information

I have written on this topic before and you were kind enough to publish my letter. Since then, I have followed the progress of the merger through articles in the Johnson City Press and through conversations with friends who have access to information of interest.

While the parties involved are talking about changes and improvements in general terms, I have not seen an actual plan or proposal that shows how they plan to reduce overhead and improve medical services at lower costs to the public they serve.
I would feel better about this merger idea if I could see the following:

• An organization chart showing the current positions of all personnel above the hospital level and an additional chart showing the proposed structure and positions after the merger. The reason for this is that I have heard a whole new level of management, such as a chairman of the board is being created and none of the top management people are losing their jobs, but are just changing titles.

It makes me wonder if the number of board of directors is being reduced or are we just going to keep supporting both groups with lavish mini vacations. Do you really have to go to New York City to discuss local health care?

By the way, adding a chairman of the board will increase overhead by over one million a year at a minimum.

• I would like to see the facilities plan that shows which hospitals or outpatient clinics will be consolidated or closed or “re-purposed” as the merging parties like to use the term. If they have submitted a plan to the state, that information is available and should be shared with the public. These “not-for-profit” entities need to be held to a higher standard than a typical merger of publicly held companies, especially since we are talking about health care for our communities.

JONATHAN LINK
Johnson City
Rural health, diabetes top issues at meeting

Hospital Merger Session 03

The Certificate of Public Advantage committee held a listening session at Northeast State Community College on Tuesday to hear concerns from Wellmont and Mountain States medical groups employees.


Rural health, diabetes top issues at meeting

BLOUNTVILLE, Tenn. – Improving access to health care in rural areas, curbing the incidence of diabetes and other chronic diseases and attracting more specialists were among topics suggested Tuesday as vital ways to measure the success of a merged regional health care system.

More than 20 speakers – most employed by either Mountain States Health Alliance or Wellmont Health System – offered their opinions for improving the region’s health care picture to a panel developing an index to grade the proposed merger of those two systems. Tuesday’s event was the second in a series of public listening sessions hosted by the panel of regional leaders appointed by the Tennessee Department of Health to help grade the Certificate of Public Advantage merger application. About 50 people attended the event at Northeast State Community College.

“In the current setting, the way health care is delivered, sustaining the current level or even talking about expanding services, especially in our rural areas is financially unsustainable,” said Dr. Dale Sargent, Wellmont’s former chief medical officer.
Sargent said the region’s astronomical rates of diabetes, obesity and lung cancer pose perhaps the greatest health challenges.

“Make no mistake, we are talking about lifestyle diseases that develop over a lifetime,” Sargent said. “If the outcomes we’re looking for are a decrease in lung cancer or a decrease in diabetic complications, we had best be thinking in terms of decades. Our approach to this must include maintenance and expansion of services for those with chronic and advanced conditions that we will be dealing with for a long time and investments aimed at breaking the cycle of unhealthy behaviors to bring down this burden of chronic disease.”

Jim Perkins, Wellmont’s director of diabetes treatment centers, reinforced that point during his remarks, noting that Tennessee ranks in the top five nationally for most diabetes cases at 11.9 percent while Sullivan County ranks nearly 2 percentage points above that.

Eric Carroll, administrator of Mountain States’ Unicoi County Memorial Hospital, urged the panel to include behavioral health measures and the rural care in its measures.

“I believe the index should track the development of services such as mobile health crisis management teams and extensive outpatient treatment and addiction resources designed to minimize inpatient psychiatric admissions, incarcerations and other out-of-home placements,” Carroll said.

He also emphasized the need for a continuing hospital presence in rural areas.

“Having emergency services and immediate care within our communities is something we truly need to maintain,” Carroll said. “And the merger of Mountain States and Wellmont is the only possible merger option that protects our rural hospitals because we can put something in place [COPA] to guarantee that. Should a merger take place with a health care system outside our region, there are no checks and balances to make sure this happens.”

Paul Allison, a maintenance technician at Holston Valley Medical Center, talked about employment.

“People hear merger and they get job scared,” Allison said. “I’ve been with Wellmont since 2012, but prior to that I was with another company, there was a merger and I trained my replacement.”
However, Allison said he sees the merger as helping the region.

“Obviously, it’s in the public’s best interest and the employees’ interest to have health care in our region on stable footing,” Allison said.

Lisa Carter, CEO of Niswonger Children’s Hospital in Johnson City, said that facility has struggled to attract pediatric specialists and hopes a merged system would bolster those efforts.

“When you’re in medical school and choosing which sub-specialty to go into those [pediatrics] aren’t high on the priority list. It really is a calling to be a pediatric provider,” Carter said. “So those numbers are small and we do have trouble recruiting and retaining those physicians. We’ve faced years of challenges with single providers.”

Other speakers talked about the value of shared electronic medical records, improving palliative and hospice care and improving wages to retain nurses.

Chairman Gary Mayes called Tuesday’s meeting “excellent” and the information important to the process.

The COPA advisory panel’s next meeting is scheduled April 5 in Rogersville. Another session is planned April 19 at Northeast State.
First public hearing over merger mostly draws supporters

BY JEFF KEELING

What should be state regulators’ standards for success if Mountain States Health Alliance (MSHA) and Wellmont Health System are allowed to merge? What measures of population health, access to health services, economic factors and other items should be included in any index or “report card” by which a new super system will be held accountable?

Members of the public in Tennessee got their first chance to weigh in on those question at a public hearing in Elizabethton last week. And while they mostly skirted around the edges of the specifics the Tennessee Department of Health (TDH) was looking for, most of the dozen or so speakers did make one thing clear: they believe the merger would benefit the community.

The lone voice of skepticism – again, in a forum nominally focused on the measures that a 16-member “COPA Index Advisory Group” should recommend to TDH for inclusion in its index – came from Steve Hopland, CEO of Medical Care, LLC.

TDH’s Jeff Ockerman is helping lead consideration of a “Certificate of Public Advantage” (COPA) application by the systems. He’s also helping oversee development of the state infrastructure that would regulate a COPA, including the index and measures.

“The goal is to have a clear and well-defined index that can be easily understood by the hospital systems who will be impacted by how they’re measured, by stakeholders, and by you, the general public, so you’re going to know whether or not there is a continued advantage under that certificate,” Ockerman said at the meeting, which took place at the Carter County Health Department.

“The whole purpose of the Certificate of Public Advantage is to protect the interests of the public,” Ockerman said. The COPA, and the recently revised law governing it, are designed to allow for a merger that reduces competition by requiring any disadvantages to consumers such a reduction would bring to be outweighed by public advantages that couldn’t be achieved without an anti-competitive merger.

“This is all new ground, and we’re working very hard to make sure we’re doing what is correct under the statute ... to protect the interest of the public,” Ockerman said.

Ockerman said that if the COPA is approved, TDH will conduct ongoing oversight, including through “grading” the new system on the measures in the index. He added that consequences, up to and including breakup of the merged entity, could ensue for failure to meet measures making it clear that the merger’s benefits continue to outweigh disadvantages.

As the majority of advisory group members listened, speakers touted what they said would be the merger’s primary advantages. Among them were reduction in duplication of services; greater ability to recruit providers; introduction of more specialty services, including children’s subspecialties; greater ability to attract research funding; and preservation of access to care in rural areas.
Access was one topic over which Hopland expressed some concern. He noted that MSHA had eliminated birthing services at Sycamore Shoals Hospital in Elizabethton, and called OB services “a pretty basic right.” Hopland also mentioned what he considered an unfortunate lack of participation by hospital systems in the HIE OnePartner data exchange that many other providers are using in the area to create more seamless care for patients regardless of the entity from which they’re receiving it.

“I am in favor of a strong health care system,” Hopland said. “I think economics may force a merger, but I am concerned about putting too much power in the hands of one hospital system without some kinds of checks and balances that I hope this panel will help put into place.”

Stan Johnson may have spoken most specifically about measures for the index. A medical exercise specialist in Kingsport, Johnson said the measures should include a focus on wellness and preventive care. He also suggested the effort be inclusive, taking in workplaces, schools and the faith community, and not solely centered within a merged system.

“I think if a merger comes together, (we should) do this with a partnership of the private industry and not having it all under one hat of this merger,” Johnson said. “Especially if we have funds to partner with them, I think that’s going to be an incredibly viable set up... We are dealing with obesity rates of 30 percent in this area, (high) smoking rates, cardiovascular disease problems. We have an opportunity to take this into defined populations.”
Mountain States, Wellmont say merger would minimize job cuts

By Michael Sandler | March 31, 2016

The proposed merger of Mountain States Health Alliance and Wellmont Health System could save $25 million per year in labor costs, according to a document filed with the Tennessee Department of Health (PDF).

If the merger occurs, the possible job cuts would allow the systems to invest money in new clinical areas, which isn't possible if either system were to be acquired by an outside party, system leaders said. "We were trying to avoid unnecessary job losses," said Alan Levine, CEO of Mountain States, based in Johnson City, Tenn.

Mountain States is a 13-hospital system that serves Kentucky, North Carolina, Tennessee and Virginia. Wellmont, based in Kingsport, Tenn., is a six-hospital system that serves Tennessee and Virginia, and it has 6,400 employees.

Mountain States and Wellmont revealed information about the possible job cuts in a document dated March 16 that answered queries from the Tennessee Department of Health regarding the certificate of public advantage application filed by the systems seeking permission to merge.

According to the document, the cuts would happen over time and through attrition. The proposed new system aims to cut down on job duplication, overtime and other labor costs, the document said. Employees could be transitioned to new or expanded roles in many cases.

If the merger is approved, departments that could experience cuts are administration, biomedical engineering, patient access/registration, finance and accounting, health information management, human resources, facilities and maintenance, security, supply chain, and other departments and areas.

But jobs at the two systems would be uncertain if either were acquired by an out-of-town bidder. With Medicare cuts and shrinking payment rates creating financial pressure, Mountain States and Wellmont looked at other potential partnerships. Most of the options were out of state or out of region, Levine said. If acquired by another system, the potential job losses could exceed 600, as there would be no need for the acquiring system to keep the corporate infrastructure, he added.

As part of the plan to invest in the community, Mountain States and Wellmont announced in January a pledge of almost $500 million over 10 years in community benefits if the merger goes forward. The new combined system would spend $75 million in population health improvements; at least $140 million to expand community-based mental health services, including residential and outpatient addiction recovery.
programs; $85 million to develop academic and research opportunities; and up to $150 million to support health information exchange throughout the region, they said.

In addition, as part of the commitment the new system would expand access and choice, they said. The systems would manage three full-service hospitals in Johnson City, Kingsport and Bristol.

A final decision on the merger is expected from state officials in Tennessee and Virginia at the end of the summer. Both states would have to approve the deal, and both would supervise the new organization and enforce the commitments made in the plan.

If the merger is not approved, Wellmont CEO Bart Hove said the system would retrench and consider its options. It would have to look at other merger offers, which could lead to more lost jobs.
Health care should be available and affordable

Debbie Arrington
Folks, this is going to be another mixed-bag column. I hope you’ll bear with me.

I received an interesting response to my previous column. The writer graciously allowed me to share it with you. Here goes:

“As a small business owner, I have firsthand knowledge of how expensive medical insurance is for self-employed people. Until Obamacare was passed, we paid very high premiums and still were afraid to have tests run because they raised our rates every time. I have since reached the age to have Medicare, but my brother and business partner are still on regular insurance. ... We were brought up to work hard to better ourselves and because of this we have been blessed with our homes and some properties. We were always afraid of losing them with a major illness.”

Small businesses are an important part of the U.S. economy. The Affordable Care Act began the process of strengthening the foundations of this business sector and its employees.

The Republican-led U.S. Congress has voted for over 60 bills to repeal part or all of this law. One actually made it to the president’s desk earlier this year.

Republicans need to think about this. Indeed, many GOP candidates have evidently thought about it since we’re not seeing the ACA as a major campaign issue in 2016. The fallback suggestion we’ve come to expect from the GOP in health care affordability/access is to invoke the great god of competition. They’d do just as well as perform a rain dance since this hasn’t proven to be all that effective in vital health care matters for millions of American citizens.

Hank Hayes’ recent piece for the Times-News titled “Rivalry created overbuilt system” explains this in detail involving the Wellmont and Mountain States Health Alliance systems, which are now proposing to merge.

Here are the highlights: “The two competing hospital systems ... have way more staffed and licensed beds than patients to fill them.” “The two systems have competed hard against each other for years in facilities and service development.” The results? “The merged system would have revenues approaching $2 billion, and about $1.5 billion in debt, and more than 600 physicians.” This bloat is a serious issue in light of “Plans by the federal government to cut $700 billion from the program plus pricing pressure from insurers.”

When it comes to health care, we should now know that GOP solutions just don’t get the job done. Health care must be available and affordable for Americans in order for us to earn livings and care for our children. (The GOP Congress also seems to be unwilling to address the critical need for infrastructure maintenance.)

The other item I wanted to share with you involves a little unwelcome excitement in my normally quiet neighborhood on April 6. I was on our back deck with our very ill cat that afternoon when I noticed BAE’s little red U.S. Army locomotive pulling an unusually long line of cars heading toward Area B in Hawkins County.

The dense black smoke belching from its three or so stacks was easily as heavy as the plumes we used to see from steam locomotives. I watched as it chugged by and noted a few deer running along beside the tracks. I was puzzled about the locomotive’s condition and reflected about how it won’t be possible to see those deer once the foliage reappears.

MSHA6511
A few moments later, I looked back at the tracks and saw a different color of smoke alongside the railroad. I soon realized this was a small brush fire that had just started. I, and probably several of our neighbors, called the fine people at 911. The dispatcher politely asked me to stop shouting into the phone as he couldn’t understand some of what I was saying. (No one has ever accused me of being Miss Calm, Cool and Collected.)

I’m happy and thankful to say that they got right on it. I could hear the sirens of the Kingsport Fire Department equipment within moments as I watched the fire. The KFD personnel were courteous and well-trained. Their only problems were how to get their truck way back into the area where the fire was being fanned by vigorous winds and the fact that this fire was close to large metal pipes filled with acetic acid on either side of the tracks.

I was very concerned about the safety of the firemen. I’m pretty sure I spotted some BAE representatives wearing white chemical protection suits and green hard hats on the scene. Thankfully, the KFD was able to extinguish the fire with no injuries to their folks. I’d like to thank the KFD and Central Dispatch for doing a fabulous job. The U.S. Weather Service isn’t kidding when it warns of how quickly a wildfire can ignite and spread during dry and windy conditions.

Hate it as much as you like, but government is necessary for our health and safety. Capitalism is the best economic model available. But there are some essential services that cannot be fairly and efficiently supplied without government participation or, at least, regulation.

Debbie Arrington lives in Kingsport and has earned degrees in history and accounting. You can email her at debarrington@hotmail.com.
With systems' merger application in, deciders making haste slowly

Tony Keck

By Jeff Keeling
Work groups are meeting in Southwest Virginia with health care access, quality and cost on their minds. An advisory group is making the rounds in Tennessee, seeking input on measures for an “index” that would grade any merged hospital system on its effectiveness in a variety of areas. Health officials in state capitals Nashville and Richmond are scrutinizing reams of documents and proposals to determine how they square up with the requirements in recently revised Tennessee and Virginia laws allowing anti-competitive mergers.

It all shows that Feb. 15 clearly marked the end of the beginning concerning the effort by Mountain States Health Alliance and Wellmont Health System to gain approval to merge. Since then, the state and regional entities charged with helping shape a Certificate of Public Advantage (COPA) in Tennessee and Cooperative Agreement in Virginia have launched full-scale into laying regulatory groundwork that would govern a merger. They have also begun parsing the voluminous applications the systems submitted.

Over the coming months, all the parties will study, work, negotiate and revise their way toward a groundbreaking, finalized regulatory regime. It may take a good while. Two members of one Virginia work group already have questions about the systems’ proposal for capping increases in a merged company’s charges to payers and patients. All of this, according to a member of each system’s executive team, is ok.

“We have always expected that there will be a fair amount of conversation back and forth regarding any clarifications or additional information that the state might need,” MSHA Senior Vice President and Chief Development Officer Tony Keck said March 31. “We feel like that process has been going well in both states.”

The states, and in the case of Virginia, the Southwest Virginia Health Authority (SVHA), need time to digest all the information they’ve received from the systems, request any additional information and ask for clarification where they have questions, Wellmont Senior Vice President of System Advancement Todd Norris added.
“That’s important for them to make a determination that’s in the best interest of the community, provide mechanisms for active supervision through the law and so on,” Norris said. “We think it’s really important the process take the amount of time it’s taking in order for all that to happen effectively.”

On Feb. 16, the day after submitting applications for merger approval, Mountain States and Wellmont leaders said they hoped to see Tennessee and Virginia both approve those applications by sometime in September. Given the steps necessary to reach that point, though – particularly in Virginia – that timeline may be on the optimistic side. CEOs Alan Levine (MSHA) and Bart Hove (Wellmont) spoke of a 120-day process toward approval or denial of a “Certificate of Public Advantage” (COPA) in Tennessee and a 150-business-day process in Virginia. At best, that might have allowed for a September stamp of approval. But as Norris said, getting it right is critical, and a group charged with the next step in the process is comprised of volunteers with no specific timetable.

Virginia Two Step: The Process in the Commonwealth

North of the Tennessee state line, the process toward a merger approval decision has some significant differences from Tennessee’s. For starters, the only clock ticking in the Commonwealth at this point relates to the SVHA and its task of determining whether the systems’ application for a cooperative agreement (the Virginia equivalent of a COPA) has been “received.” Further, that clock is an open-ended one.

“The status of the application right now is that it has been submitted,” consulting attorney Jeff Mitchell of Blacksburg, Va., told the group at its March 15 full board meeting. “It’s not been received until you deem it complete.”

That isn’t just semantics, even though the systems submitted their application for a cooperative agreement Feb. 16. The 150-day Virginia clock doesn’t start ticking until the application is officially received. The Virginia law that established the SVHA in 2007 was amended significantly last year in order to allow for a cooperative agreement. It
gives the 32-member SHVA – created “to bring area leaders together to recommend ways to improve health and health related prosperity in the far Southwest Virginia region” – a significant role in the approval process.

The board’s chairman, Virginia Delegate Terry Kilgore (R-First), sponsored a major rewrite of the SHVA law last year that cleared the way for a potential merger. Much like Tennessee’s rewritten COPA legislation, that law’s gist was to allow for mergers that, “supplant competition with a regulatory program to permit cooperative agreements that are beneficial to citizens served by the Authority, and to invest in the (state health) Commissioner the authority to approve cooperative agreements recommended by the Authority and the duty of active supervision to ensure compliance (with the agreement’s provisions).”

The intent of that law change, the statute reads, “is within the public policy of the Commonwealth to facilitate the provision of quality, cost-effective medical care to rural patients.”

SHVA board members’ current job – aside from the estimated 11 or more who will be largely sidelined from the process due to conflict of interest – is to determine whether the application includes “enough information to make an informed decision” about whether to approve it, Mitchell said. Only when that is done, various clocks will start ticking as the SHVA holds public hearings, continues studying the application and any supplemental materials, and makes a recommendation to the state health commissioner on whether to approve the proposed cooperative agreement. Ultimately, it is the health commissioners in both states – Drs. Bill Hazel in Virginia and John Dreyzehner in Tennessee – who will have the final say.

The authority created “work groups” March 15 to review the application for completeness in five areas: population health, health care cost, health care access, health care quality, and competition. Members expressed a desire to try and determine the application’s completeness by their April 13 full board meeting. Mitchell cautioned them to make haste slowly, and not hesitate to ask for more detail, with questions flowing through his office.
“My anticipation is that there will be some questions … just from some initial conversations,” Mitchell said. “I think that’s probably healthy. So don’t shy away if you think there’s something that can be more defined. Remember, your standard at the end of the day is, ‘do the benefits outweigh the disadvantages?’ At this stage in the game, you’re simply asking yourself whether or not you think you have enough information to later make that assessment.”

Kilgore, in announcing that all board members would be included in the competition work group, noted: “That’s one of the most important aspects of the whole cooperative agreement.”

As the Business Journal went to press April 1, only the health care cost group had met, and it had enough questions to have scheduled a follow up meeting for April 7. The health care access group was scheduled to meet April 4.

A question about cost

If the health care cost work group’s March 28 meeting is any indication, SHVA members are taking their role to heart and dismissing any potential pressures to rush their work. At that meeting, its Washington County (Va.) representative, Sam Neese, raised a question about how the application deals with charges to payers and with the $450 million of excess margins it proposes to invest over 10 years in population health, mental health, children’s health and medical research.

“A lot of the savings shown here are going into programs,” Neese said. “There’s not a lot of discussion on how much of that might be used to keep costs from going up – how much are they going to do to filter some of that back to payers and users?”

Neese also asked, during the 20-minute meeting, how strictly the Commonwealth would enforce the commitments on cost containment the systems have made. Those include a pledge to pare back in mid-year, once a merger is into its first full year of operation, the already negotiated charge agreements with insurers. Following that year, charge increases would be limited to an amount a quarter percent below the national “hospital price index” (HPI).

Neese’s fellow board member, Virginia Delegate Will Morefield (R-Third), expressed similar concerns to Neese.

“The primary concern that I have is, at the end of the day, what is the cost savings going to be for patients?” Morefield said. “I think that from the public’s perspective, the majority of them are being told, at least, that this merger is going to result in cost savings for the patients, and I think we need to be in a position to not only say that we’ve reviewed it, but we understand it and we agree with that.”

MSHA’s Keck said the systems’ leaders have been meeting with payers to discuss their proposals for containing charges, and that he expects payers and others to comment on those through the process.

“We expect at some point with the commissioners of health in both states that we will have a conversation about their view of what we’ve proposed and do there need to be adjustments,” Keck said.
“We’ve certainly done our best to reflect what we think the needs of the community are and the expectations of the payers. But people continue to provide input throughout this process, and we expect that input’s going to be considered by the states and then we’ll have a conversation with them about it.”

Norris said the systems are attempting to balance several important elements as they create a roadmap for how to utilize an expected $120 million in extra annual cash flow once the merger is fully integrated several years after its consummation. A good bit of that is slated for the investments in the four areas mentioned above. Norris also mentioned what he called the “sustainability” of the new company, and its ability to invest in capital improvements that help keep its ability to offer high quality health care at the forefront, “and reducing the pace of cost growth. It’s important to keep all of that in balance.”

So what, when exactly?

The deliberations of the SVHA, and both states, appear likely to bring their own set of tweaks and alterations. Tennessee, where the COPA Index Advisory Group should complete its work in June, is also expecting to amend the rules that govern the COPA sometime this spring, according to TDH representatives. The COPA itself, though, is on that 120-day timetable for an up or down decision from Dreyzehner’s office.

The Virginia process is a little hazier. A clock will start ticking once the SHVA deems the application complete. Early in that period there will be a 20-day public comment period, after which the authority and health commissioner must agree on a public hearing date that is within 45 days of the application’s being deemed complete. All told, the SHVA has 75 days after deeming the application complete to make a recommendation on whether it should be approved, with a 15-day extension available.

(To see the specific factors the SHVA and Commonwealth are to weigh in the balance, visit bjournal.com/virginiafactors.)

If a recommendation for approval is forwarded to the state commissioner, he has another 45 days, with up to a 15-day extension, to render a written decision approving or denying the request. With potential extensions and accounting for weekends and holidays, it could be slightly more than seven months from the time the SHVA deems an application complete to a decision being rendered. Were the SHVA to make its initial call April 13 a final decision could be pushed out to mid-November.

“The states and the Southwest Virginia Health Authority are doing a very conscientious and thorough job in the work that they’re doing, and we fully expect that they’ll need time to do their work,” Norris said. “We appreciate the way they’re approaching it. We’d obviously like for the process to take less time, but the process is extremely important.”
Hospital merger: Tennessee wants more info from Mountain States and Wellmont, including failure contingency

What happens if the combined health care entity created from Mountain States Health Alliance and Wellmont Health System goes belly up after merger?

That’s one thing the Tennessee Department of Health wants to know as it considers the Tri-Cities’ major health care systems’ request for a certificate of public advantage that would allow the merger.

The department is asking the systems for more information about such issues as finances, public impact, competition and workforce consequences. In a letter dated March 28 and posted Thursday on the department’s website, Commissioner John J. Dreyzehner cited several deficiencies in the joint COPA application, including the lack of a separation plan in the event of failure.

“The department's requirement for a plan of separation is to specifically ensure that if a COPA is issued and the New Health System (as defined in the application) fails to live up to the promised commitments and understanding reached by the department and the parties, the department may terminate the COPA and require a clear plan of action to return the parties to a pre-consolidation state,” Dreyzehner wrote. “The minimal framework presented in the application does not provide the level of detail necessary to meet the department's requirement to outline a clear, actionable plan to separate a merged entity.”

On Feb. 16, the leaders of the nonprofit health organizations submitted thousands of pages of documents to state regulators asking for a COPA from Tennessee and a letter authorizing a cooperative agreement from Virginia. The applications kicked off a review process in both states — at least 120 days in Tennessee and 150 in Virginia — giving the health officials time to ponder the proposals before making final determinations, which the systems hope will be made in their favor this fall.

Asked for comment regarding the COPA letter, Mountain States and Wellmont issued a joint statement saying ongoing dialogue with both Virginia and Tennessee is an expected and welcome part of the application review process.

“We appreciate the states' ongoing and active review of the application materials,” the statement read. “As we have thus far, we will continue to respond to questions from the states, and we welcome continued dialogue as the review process continues. The Tennessee Department of Health has made the correspondence between the parties and the State publicly available on its website (https://www.tn.gov/health/article/certificate-of-public-advantage) as part of its commitment to a participatory and transparent process.”

For Tennessee to consider the COPA application, Dreyzehner also asked for further financial information from each system, including descriptions of financial performance for the preceding five years, copies of external certified public accountants’ annual reports, the current annual budget and a three-year projected budget for the merged system.

Further, Dreyzehner wanted information regarding existing business plans, including projected performance in the market, business strategies, capital investment plans, competitive analyses and financial projections including any documents prepared in anticipation of the agreement.

The letter called for details about business plans, economic impact, projected improvements in the quality of services, projected resulting improvements in the region’s health, and projected savings to lower health care costs for both payers and consumers. The letter also sought additional information on health care competition.
the region, including identification of all services and products likely to be affected, estimates of current market shares before and after the merger, and a statement of how competition among health care providers or health care facilities would be reduced.

Dreyzehner also requested additional information about the proposed merger’s impact on the area’s health care workforce, including long-term employment and wage levels, as well as recruitment and retention of health professionals.

The letter also stated that the COPA document was incomplete because it did not include a counsel memorandum from each system, which would include information related to subsidiaries, financial statements, liabilities, contracts, tax matters, title to properties, litigation, compliance with law, permits and licenses, real property, environmental protection, insurance, and employees and benefit plans.

“The department will continue its ongoing and active review of the application materials submitted thus far, including the recently submitted addendum, while the department waits for a response to this letter and for information considered by the parties to be confidential or competitively sensitive,” Dreyzehner concluded.

The COPA process includes a series of six public listening sessions for input about the proposed merger. The next is set for 5:30-7:30 p.m. on April 19 at the Northeast State Regional Performing Arts Center in Blountville.

Should regulatory approval be granted, the merged system would operate 19 hospitals, dominating the inpatient care system locally, and is expected to reach $2 billion in annual revenues in two years, according to a budget included in the applications.
Some of the information the state of Tennessee says is needed in a proposed cooperative agreement between Mountain States Health Alliance and Wellmont Health System is already in the state’s hands, representatives from the two health systems said Monday. It’s just in other documents.

Representatives from the systems also said the latest in an ongoing correspondence between the Tennessee Department of Health (TDH) and the two hospital systems involves mostly technicalities in the merger applications.

Thursday, TDH posted a March 28 letter from the department’s commissioner, Dr. John Dreyzehner, to Mountain States Health Alliance and Wellmont Health System CEOs Alan Levine and Bart Hove. The letter referenced “incomplete sections” of the cooperative agreement. It cited three main areas of incompleteness, two of which are primarily housekeeping matters, MSHA’s Tony Keck and Wellmont’s Todd Norris told News & Neighbor Monday.

In short, one of those two areas is covered in the systems’ application for a “Certificate of Public Advantage” (COPA) filed Feb. 15, but is not included in the “cooperative agreement” between Wellmont and Mountain States. A pending addendum to that agreement, with answers to the items in TDH’s letter simply copied from the COPA application, “solidifies that the commitment we’re making is not only to the state, but also to one another as parties in the new health system,” Norris said.
The other technical area involves proprietary information, Keck said.

The TDH letter cites the cooperative agreement’s lack of “counsel memoranda” from each system covering information about tax matters, subsidiaries, contracts, property title and the like. Keck said a number of those areas involve confidentiality, and that, “we wanted to make sure we figured out a way to get that submitted to (the state) without violating any confidentiality.” He said the systems continue working on that.

The second citation includes a long list of information regarding a host of issues. They’re all straight from the rules governing the COPA, and range from financials, the area’s competitive environment and a merger’s impact on the health care industry workforce, to population health measures to be included in the state’s review of a merged system’s performance.

A review of the COPA application shows that starting on page 61, the details referred to as lacking in the cooperative agreement are present. In some cases, such as the requirement to describe, “existing or future business plans” related to projected performance in the market, competitive analyses and the like, the systems wrote they were “considered competitively sensitive information under federal antitrust laws and will be subsequently filed.”

Most of the answers, though, are right there in black and white over roughly 40 pages of the application – they’re just not also in the cooperative agreement.

Keck and Norris both acknowledged that in any of the sections cited, TDH could request more detail or changes before deeming the application complete – something that must occur before a 120-day review period actually commences.
“In this case, it’s a very technical point about them wanting this information included in our affiliation (cooperative) agreement,” Keck said. “I think if they have more questions about the actual meaning of the content that we’ve submitted in the application, which we’ll now put also into the affiliation agreement, they’ll send further communication.”

The third issue – regarding TDH’s requirement that the systems file a “plan of separation” in case a merger was approved but didn’t live up to the state’s regulatory requirements – will take a bit more conversation with TDH, Keck and Norris said. Dreyzehner’s letter referred to the current plan of separation in the systems’ February application for a COPA allowing a merger as a, “minimal framework” that “does not provide the level of detail necessary … to outline a clear, actionable plan to separate a merged entity.”

After TDH developed its emergency rules for oversight of a COPA-allowed merger, lawyers representing both hospital systems took issue with the propriety of TDH requiring a plan of separation to be filed prior to COPA approval. They cited the law that allows for the COPA in a Sept. 23, 2015 letter, writing that it didn’t mention a plan of separation while referring to the COPA application process.

“The first mention of a Plan of Separation in the Act is found in Section 68-11-1303(g), which deals with the Department’s monitoring responsibilities after it has issued a certificate of public advantage and the Cooperative Agreement has been implemented,” the Sept. 23 letter states. It goes on to request that the rules governing the COPA be amended to not require preparation and submission of a plan of separation, unless the state has determined the advantages of the merger no longer outweigh the disadvantages caused by reduced competition.

TDH spokesman Bill Christian has told News & Neighbor that the rules are set for an amendment process, leaving open the possibility that TDH could allow that requested change, which Keck said the systems still desired.

In the meantime, though, the systems did file the a three-page plan of separation, which can be found on pages 2,571-2,573 of the COPA application. It is followed by a four-page letter from FTI Consulting, the group that also worked up financial models showing the additional cash flow a merged system would create. That letter concludes by citing FTI’s belief that the plan of separation, “can serve as the basis for an effective process to restore competition to the pre-consolidation competitive state through an orderly transition that can be operationally implemented without undue disruption to the essential health services provided by the parties…”

Speaking of consultants, Dreyzehner noted in his letter that TDH has engaged consultants, “to ensure the department has the specialized expertise required to conduct due diligence in a manner that adequately protects all who may be affected by the proposed merger.” When it comes to the plan of separation, TDH isn’t seeing it FTI and the hospital systems’ way, at least not yet.
“We are getting on the phone with them this week to have that conversation,” Keck said. “So whereas the first two are technical fixes, the third one we’ve got to have a conversation with them to try and understand what they’re looking for.”

The March 28 letter, the COPA application and all other documentation related to the process in Tennessee can be accessed at tn.gov/health/article/certificate-of-public-advantage.
Area physicians express reservations about market monopoly at listening session

BLOUNTVILLE, Tenn. — Concerns about a market monopoly, higher pricing, limiting physician opportunities and universal access to electronic medical records topped a Tuesday listening session for the proposed merger of the region’s two health care systems.

A 12-member panel of regional leaders — appointed by the Tennessee Department of Health — heard from more than 20 speakers, including many independent physicians and leaders of physician groups, during an event at Northeast State Community College. The committee is charged with developing a series of measures to grade the pluses and minuses of a merger between Wellmont Health System and Mountain States Health Alliance.

Physicians — many independent of the two health systems — expressed reservations.

“The merger, to me, will create a monopoly,” Dr. Peter Platzer of Kingsport said. "Although it may sound great, I am very distrustful of monopolies and, in my practice, most of my patients are distrustful of the merger coming in.”

Platzer said his concerns primarily involve rising costs and limited wages for health care workers.
"If there is no competition there is no incentive to keep costs down. When the hospitals can negotiate for higher reimbursement [rates], that will get passed directly to the patients," Platzer said. "My second perception of monopolies is there is a tendency to suppress innovation."

Courtney Pearre, senior director of government relations for Amerigroup, a subsidiary of Anthem and one of three managed care organizations that administers the TennCare program for the state's indigent, also voiced concerns.

"The bedrock of any Medicaid program is choice. Medicare members must have choice as to payers and as to providers," Pearre said. "It is crucial, if the COPA is granted, the merged entity be required to assure access to needed services by TennCare patients and such access be closely monitored and included in any index."

Pearre said TennCare rates are negotiated, unlike many other states.

"It is crucial, if the COPA is granted, that the index requires the entity to keep its prices constrained for its TennCare patients. If the COPA is granted, it's creating a monopoly and monopolistic rates are regulated like public utilities and the index needs to be specific in that regard," Pearre said.

Officials of Holston Medical Group and Highlands Physicians — regional doctor organizations — expressed concern about how the merger could affect the practices of its members.

"We have watched very closely the application COPA and the issues regarding the discussion of the merger," said Anthony Seaton, president of Highlands Physicians. "It's already been asked, how many staff positions may be lost? How will repurposing potentially affect our community? How will the monopoly that will be produced by this potentially exclude non-employee physicians and potentially cause physician migration? How might all of those issues affect the quality, access and value of health care in our region?"

Seaton said his group doesn't oppose the merger but wants a series of satisfaction surveys included in the index.

Several speakers urged the committee to require a merged entity to work with other providers on a universally accessible medical records system, since there are already multiple systems currently in operation.

The committee is now scheduled to begin creating the index during an April 26 work session at the Sullivan County Regional Health Department.

"The committee will recommend an index that shows the positive benefits of the merger versus the disadvantages of the monopoly," Chairman Gary Mayes said. "The committee will take input we received from the public — which has been outstanding — and synthesize the information into a measurable index. It is a large task but there is a lot of expertise on this committee."

The committee will make no decisions regarding the application but forward its work to the Tennessee Department of Health.

Two meetings are scheduled, but it may take more, Mayes said. All sessions are open to the public.

"We will meet as often as we have to, to get the job done," Mayes said. "We have a meeting scheduled May 17 to present the index but it may take longer and I wouldn't be surprised if it did."
Hospital systems merger won’t close by the summer as expected

TRI-CITIES, TN (WJHL) – The proposed merger of the region’s two hospital systems likely won’t happen by the end of summer as planned. That admission came Friday from the head of Mountain States Health Alliance.

The state of Tennessee continues to ask Mountain States and Wellmont Health System questions about their application for state approval to merge, a plan unveiled more than a year ago.

But for the deal to happen, the companies have to prove it would be good for the people of the Tri-Cities region, despite the fact the merger would create healthcare monopoly.

But within the last week top state health officials said the application submitted two months ago lacks the depth required for the state to evaluate.

The state has to approve this application called the Certificate of Public Advantage or COPA or the two systems cannot merge.

Despite thousands of pages of information submitted by Mountain States and Wellmont, Tennessee health officials say they still need more proof a merger is a good idea.

“There’s nothing that we said in that application that we don’t have the evidence to support, or we wouldn’t have said it,” Mountain States CEO Alan Levine said.
The states says some of the information given by the systems so far “failed to substantiate stated benefits and commitments.”

“When we submitted the application we were responding to the rule that was established, and in that rule there weren’t explicit directions about the level of evidence they wanted in the document itself,” Levine said.

Levine said the companies can prove the merger will improve health care in the Tri-Cities with on-going state oversight.

“We think there’s tremendous evidence that the advantages to this substantially outweigh any potential disadvantages and it’s up to us to put in the record,” Levine said.

Once the state rules the application is complete, the companies may have to wait four months, making their late summer target date no longer realistic.

“It’s going a little bit beyond what we thought it would but they want to get it right and we respect the state’s role in this,” Levine said.

He said if the state does not grant the COPA, the hospital systems won’t be able to continue business as usual.

“The status quo is not an option, it would be irresponsible for either system to just put our head in the sand and sort of keep things the way they are it just won’t work that way,” Levine said.

Mountain States and Wellmont plan to submit their response to all of the state’s questions in the next two weeks.

The state of Tennessee had some specific requests for more information from Mountain States and Wellmont. You can read that request here.

See also:

- [Local advisory group meets about Mountain States and Wellmont merger](#)
- [TDH reveals names of local citizens involved in discussions over proposed Wellmont-Mountain States merger](#)
- [Mountain States, Wellmont Health file for merger approval](#)
- [Wellmont, Mountain States release public report outlining future plans](#)

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Steps towards reviving the Lee County Hospital

Author: Cassandra Sweetman, Multi-Media Journalist, CSweetman@WCYB.com
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For the first time in months, concrete steps were taken to re-open a Southwest Virginia hospital. Three years ago the Lee County Hospital closed but the hospital authority has been working to bring it back.

LEE COUNTY, Va. -
For the first time in months, concrete steps were taken to re-open a Southwest Virginia hospital. Three years ago the Lee County Hospital closed but the Lee County Hospital Authority has been working to bring it back.

A small group from the public made up the audience at Tuesday's hospital authority meeting, but they represent 25,000 people in the area without nearby healthcare.

The hospital authority hasn't met since December. The vice chairman, H. Ronnie Montgomery, said the Wellmont Health System and Mountain States Health Alliance merger was holding up progress, but on Tuesday they made some big decisions.

First they appointed a committee to negotiate a lease agreement with Mountain States. The plan is to open in stages, first with an urgent care at the hospital in about four months. Then, in about a year, they hope to open an emergency room.

Finally, they want to open a critical care access hospital. A critical care access hospital has 25 beds or fewer, though Montgomery expects this one will have about 12 beds. It also gets a higher reimbursement from Medicare and Medicaid than some other healthcare facilities. Commissioners decided to go ahead with an application to open a critical care access hospital now in order to keep options open.

The hospital authority also voted to pursue a 20 or 30 year loan from the USDA. The hospital authority already accepted a $1.7 million loan from Lee County to purchase the hospital. Tuesday they decided to extend that loan for one year, but refinance with a long-term USDA loan as soon as possible.

The hospital authority will also request to make a presentation at the next Southwest Virginia Health Authority meeting. It's one of the groups that needs to approve the Wellmont - Mountain States merger.
Commissioners want to raise the profile of the problem and are hoping the health authority and the
two health systems will consider the impact of hospital's closure on the area.

One of the members of the SWVA Health Authority, Malcolm Perdue, is also on the hospital
authority. Another is Larry Mosley, who sits on the Lee County Board of Supervisors and has
attended almost every hospital authority meeting. Mosley said the question of plans for the Lee
County Hospital will come before the two health systems before a decision is made.

"The health authority talks all about health access for all the people in the community and there's no
greater need than here in Lee County," Mosley said. Others at the meeting said they believe the Lee
County Hospital could play a significant part of the health authority's decision.

News 5 reached out to both health systems. A spokesperson from Mountain States Health Alliance
said in an email, "Mountain States Health Alliance shares the Lee County Hospital Authority's desire
to ensure residents of Lee County have access to essential health care services. We look forward to
continuing to work with the hospital authority as they develop innovative solutions for meeting the
county's health care needs."

A spokesperson for Wellmont Health System said in an email, "Wellmont Health System commends
the extensive efforts by members of the Lee County Hospital Authority to provide medical care to the
people they serve and wishes them well through this process. We have been pleased to continue
delivering primary care to the community and will remain an available resource for those who need
specialized care."

People who attended the meeting expressed frustration about how long it's taken to move the
process forward.

"Many people have lost relatives, many people have gotten very sick, and maybe those situations
could have been different," said Pennington Gap council member Jill Carson. "But three years is a
long time."

But Montgomery said the group needed to wait until the application for the merger was submitted, a
process that took a couple months longer than anticipated.

"Things are starting to come together. I know it's not as fast as people like," Montgomery said, "but
these things don't happen overnight."

The next hospital authority meeting will be held Monday, May 16 at 6 p.m. at the Pennington Gap
Community Center.

The Southwest Virginia Health Authority meeting is on May 25 at 3 p.m. at the Higher Education
Center in Abingdon. People at Tuesday's meeting are hoping for a big turnout from the Lee County
community to help demonstrate the need to reopen the Lee County hospital.

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rewritten or redistributed.
Accountability and transparency needed in merger of Wellmont, MSHA

By A. WALTER HANKWITZ

Kudos on your editorial April 24, “There’s no excuse for BOE not to broadcast meetings.”

I totally agree that there’s no good reason for any public or community tax-exempt body to not be either streaming meetings live, or causing them to be broadcast later as a convenience as well as accountability to the public that supports them and who they supposedly represent. Public and community tax-exempt bodies have a responsibility to allow the public to be better informed as to how their money is being managed.

The merger of Wellmont and MSHA will result in a single community tax-exempt body responsible for a budget significantly bigger than the BOE — billions of dollars bigger. As the sole provider of hospital services in the Tri-Cities, it will be a true monopoly that will be managed by the same team that over the past couple of years:

· Started up a Medicare Advantage Plan (CrestPoint Health) that, because of its multimillion dollar losses and administrative incompetence, is shutting down effective June 1, sending its hundreds of enrollees scurrying for alternative health insurance coverage.

· Started up a Medicare ACO (Wellmont Integrated Network) that, under the purview of a CEO that the WHS board paid more than a million dollars in severance, cost Medicare (and taxpayers) millions more than its target and was the absolute poorest performing of all three ACOs in the community.

Now our community and the state of Tennessee are considering, with this merger, giving a hospital system CEO even more power, clout and control. Should the merger be approved, there must be a means for mitigating taxpayer risk by enabling absolute accountability and transparency.

Suggestions for doing so follow:

· Stream all board meetings live, or cause them to be broadcast later, to ensure it is being consistently operated in the public interest. This is a no-brainer as there will be no hospital competition from which proceedings need to be hid.

· To ensure representation of the communities the monopoly serves, at least two-thirds of the board should be elected by community vote, not by the monopoly’s management or incumbent board members.

· The state Department of Health should appoint at least one representative to attend, monitor and report the board’s activities relative to compliance with promises made in the COPA.

· At least two representatives should be appointed by the independent physicians who are responsible for the medical excellence in the Tri-Cities — the independent physicians who are being overtly excluded in the future health delivery reform initiatives proposed in the COPA by the monopoly.

Sunshine is the best disinfectant.

A. Walter Hankwitz is president of Highlands Health Management Inc. of Kingsport.
Lee County, Va. hospital talks progressing, ‘entangled with merger’

By Jeff Keeling

May could be a critical month for long-running efforts to reopen Lee County, Va.’s hospital, which Wellmont Health System closed in September 2013. Those efforts, a source said, have become “entangled with” the proposed merger between Wellmont and Mountain States Health Alliance.

The source, who is close to the effort by the Lee County Hospital Authority (LCHA) told The Business Journal April 28 that deed restrictions left behind by Wellmont leave the system with a right of first refusal should one of its competitors desire to operate there. That fact has played into delays in the LCHA’s efforts to work out an arrangement with Mountain States.

“Mountain States had been incredibly supportive of working with the Lee County Hospital Authority to figure out what could happen in terms of reopening a critical access hospital there, but all of that got put on hold until they filed their merger application and could begin conversations, because everyone recognizes they are still competitors,” the source said.

The LCHA met April 26, its first meeting since Dec. 4, 2015. That came, the source said, following talks with Mountain States and Wellmont after the systems’ mid-February filing for a cooperative agreement that would allow them to merge and remove the competitive barrier.

“Once the Virginia Cooperative Agreement application was filed, the Authority through its representatives began to actively discuss possibilities with Mountain States,” the source said. “Those discussions are very active right now.”

At its April 26 meeting, the LCHA selected a small committee to continue discussing possibilities with Mountain States. It also directed its counsel to prepare an application for a USDA loan to transfer its current debt obligations to Lee County related to purchase of the hospital from Wellmont.

The Authority also is prepared to complete an application for permission to operate a Critical Access hospital (fewer than 25 beds), but the source said that task could fall to Mountain States should talks with the system work out.

The LCHA meets again May 16, at which time it will decide whether to file the critical access application. It also requested placement on the agenda for the next Southwest Virginia Health Authority (SHVA) board meeting May 25. The SHVA is currently studying the cooperative agreement application, as it is charged with the task of deeming the application “complete” enough, information-wise, to be then approved or denied by the Commonwealth.

The LCHA wanted to address the issue of access, which is one of five areas SHVA committees are considering as they review the application. “The Lee County folks will make a presentation to the Health Authority about the impact of the closure of the hospital,” the source said.
While other potential operators have made overtures to the LCHA, the source said their preference is Mountain States.

Wellmont has a right to step in and operate the facility if the Lee County Hospital Authority identifies a partner that is essentially a competitor of Wellmont. “It’s an uncomfortable fact, but it’s a fact,” said the source. “Wellmont will need to waive any arrangement with Mountain States or the Lee County Hospital Authority will need to have a partner that is not in the region.”

Mountain States released the following statement regarding the issue: “Mountain States Health Alliance shares the Lee County Hospital Authority’s desire to ensure residents of Lee County have access to essential health care services. We look forward to continuing to work with the hospital authority as they develop innovative solutions for meeting the county’s health care needs.”

Those needs were related at the April 26 LCHA meeting, the source said.

“During public comment … the commissioners heard firsthand several stories of the critical need for a hospital in the county, including the recent passing of a town employee from a heart attack, with many people suggesting it might have had a different outcome if the hospital had been open.

“No one obviously could say for sure, but it certainly was an added burden to everyone that they had to travel so far. The public has requested that the Hospital Authority convene a meeting to hear stories of the impact of the closing of the hospital, simply to build a record of that impact.”

The closure also caused the elimination of about 140 jobs.
State to hospital systems: More and clearer information, please

By NN Assistant on May 5, 2016

By Jeff Keeling

Mountain States Health Alliance and Wellmont Health system haven’t adequately substantiated the benefits a merger between the two would bring, nor their commitments to bringing those benefits about. That’s the upshot of an April 22 letter from the Tennessee Department of Health (DOH) to the would-be partners, who are working to get their merger request approved by the states of Tennessee and Virginia.

The nine-page letter is from Jeff Ockerman, director of the DOH’s division of health planning. It outlines a host of areas in the systems’ Feb. 16 application for a “Certificate of Public Advantage” (COPA) that need changing or further clarification to meet the standard in rules that the state developed to govern approval and regulation of a COPA, given the lack of competition that would result.

Ockerman wrote that with its requirement that the COPA applicants demonstrate “by clear and convincing evidence that the likely benefits resulting from the agreement outweigh any disadvantages attributable to a reduction in competition,” the bar is high. The state supreme court, Ockerman wrote, requires evidence from COPA applicants, “in which there is no serious or substantial doubt about the correctness of the conclusions drawn from the evidence.”

The letter states that in their responses so far to the requirements set forth in the rules, MSHA and Wellmont provided insufficient evidence for the benefits they claim will result from the merger.

“Please understand that providing responses to the application requirements without sufficient explanation and documentation does not mean the information is clear, convincing or complete,” the letter’s introduction says. “Applicants should avoid conclusory responses. As your team compiles the additional information requested below, be mindful that many of these requests are necessary because the responses in the application and addendum failed to substantiate stated benefits and commitments.”

The strict oversight is related to the merger’s anticompetitive aspects, and the “state action immunity” from standard antitrust review by the federal government that the COPA law enables. The Federal Trade Commission has followed the matter closely.

The systems responded April 25 in a one-page letter, noting that with the experience being a new one for them and the state, they used consent decrees and COPAs from other states as a guide. The letter from MSHA CEO Alan
Levine and his Wellmont counterpart Bart Hove said, “we strove to craft an application that went far beyond any other we found in our research.” It added, though, that “we anticipated the Department would need additional information to exercise its statutory responsibilities, and we welcome the opportunity to further elaborate on the ways in which the benefits of our proposed merger significantly exceed the disadvantages, if any.”

The list of requests in the letter, which Ockerman writes, “is not exhaustive,” adding “further information will be required,” is broken into two categories of application sections being incomplete. One is that a section doesn’t meet the letter of the rule, the second that the information provided isn’t sufficient, “to determine the advantages and disadvantages of the proposed merger.”

Under the first example, the list requests revisions related to services offered by other providers, including identifying physicians under exclusive contracts with either system or its subsidiaries. That example also asks the systems to recalculate their market shares, “using appropriate geographic market and output measures.”

A footnote indicates that the COPA application, in its determination of the systems’ market share, includes competitors outside the systems’ 21-county “geographic service area,” as identified elsewhere in the application. Such a difference could skew downward the systems’ actual market share.

The longer list of requests centers around application elements DOH considers lacking in sufficient information for the department to determine the merger’s advantages and disadvantages. It includes seven main headings and nearly 30 total references.

The first reference simply cites the systems’ answer to the rules’ requirement that they list “potential disadvantages that may result from the cooperative agreement.” In the application, the systems listed none, spending a total of four lines to indicate they saw no adverse impacts on population health, cost of care to patients or payers, access or availability.

A second reference deals with projected geographic service area. A third gets into detail about insurance contracts, and, “proposed use of any costs savings to reduce prices borne by insurers and consumers.”

Subsections request significant detail about insurers with small percentages of the systems’ total revenue. They also ask for detail on the current insurance contracts with fixed rate increases, asking for “amount and timing” of them. They ask for the past five years worth of negotiated rate increases, “using the same methodology” that the systems used in promising not to raise rates by more than 0.25 percent below the hospital consumer price index.

The payer section also asks for details on “proposed methodology to cap negotiated rates, including whether contractual out-of-pocket payments will be included.” And it asks for details on how the new system would handle price setting for uninsured or private pay patients.

Further, the letter requests significant detail about the systems’ common clinical information technology system, and about health information exchange. It asks for numerous target dates on issues ranging from behavioral health capability to patient access to information. It asks how and when the $150 million designated for investment in a common clinical IT platform will be allocated, and asks for how those services would extend to non-system providers.

Finally, the section asks for commitment and timeframe for the two systems as they currently exist to begin participating in OnePartner, “the operational regional health information exchange.” It asks for options considered for the future, including continued participation in or purchase of OnePartner, participation with a competing HIE provider, or development of a competing service offering.

The letter also asks for clarity with respect to the systems’ promise of $75 million, $140 million and $85 million, respectively, for population health improvements, expansion of mental health and substance abuse-related programs,
and development and growth of academic and research opportunities. Specifically, it asks whether those figures represent increases over past investments in the same areas, “and if so, provide an estimate of the aggregate” amounts.

In other words the state wants to know the difference between what’s been spent in those areas and how much will be spent under the new plan.

Finally, the letter asks for the systems to provide the full report from FTI Consulting, Inc., on which their anticipated economies and efficiencies from the merger are spelled out in detail.

The letter also includes eight “general comments” that include some interesting specific requests. They include a request to describe “proposed performance parameters that will be used to measure employee performance and another to, "clarify the amount of current debt and what is proposed in debt repayment and/or incurring additional debt as a result of this proposal."

The entire letter can be viewed at jcnewsandneighbor.com/DOHletter042216.
Lee Co. wants reopening hospital as merger condition

By Cassandra Sweetman, Multi-Media Journalist, CSweetman@WCYB.com
POSTED: 10:51 PM May 25 2016

LEE COUNTY, VA -

A Southwest Virginia community is pushing to make sure its not forgotten in the Mountain States Health Alliance and Wellmont Health System merger. On Wednesday, a busload of people came from Lee County to the Southwest Virginia Health Authority meeting in Abingdon to make their voices heard. The authority is one of the bodies that must approve the hospital system's merger.

The Lee County residents are calling for the reopening of the county hospital to be a condition of the planned merger. They're looking at the merger application as possible leverage for their cause to bring critical care back to their rural home.

About 45 people from Lee County came to show support. Speakers talked about the need for the hospital, from an economic development standpoint to the need for nearby critical care.

"Folks in Lee County are losing the golden hour, and the fact of the matter is that people are dying because we don't have a hospital," said Lee County sheriff Gary Parsons. "I can't tell you the exact number because only doctors can give you the opinion of whether someone could have made it, but I feel certain and I think anyone who thinks logically knows that people are dying because they're not getting service immediately."

Part of the application for the merger includes demographics about Lee County's 26,000-person customer base and difficult terrain.

People in Lee County said, now that those demographics are included, they want to see a commitment to creating access for them again.

"Because their merger, without opening a hospital, does nothing to improve access for Lee county," said Lee County Hospital Authority commissioner Howard Elliott.

Health Authority chair Terry Kilgore agreed with many who said re-opening the hospital needs to be a condition of the merger.

"They're probably right, now's the time to get some kind of access for Lee County and that's something that a lot of us are very committed to," Kilgore said.
Mountain States officials sent News 5 a statement saying, “Mountain States Health Alliance shares the Lee County Hospital Authority’s desire to ensure residents of Lee County have access to essential health care services. We stand ready to work with the hospital authority as they develop innovative solutions for meeting the county’s health care needs.”

Wellmont also responded with a statement, saying, "Input from the Lee County community is very important, and we appreciate its efforts. We are pleased to continue providing primary care services in the county. We are also thankful for the work of the commonwealth in examining the future of health care in Southwest Virginia and look forward to receiving questions from the Southwest Virginia Health Authority as it conducts its important work."

The SWVA Health Authority is expected to respond to Lee County’s request, but no timeline has been set.
Lee County Hospital Authority takes concerns to SWVA Health Authority Board

By Kristen Quon Published: May 25, 2016, 11:13 pm

ABINGDON, Va. (WJHL)—People in part of the Tri-Cities said lives are being lost because a community does not have a local hospital.

Wellmont Health System closed Lee Regional Medical Center in October 2013, pointing to federal reimbursement cuts and low community use among the reasons. Ever since, the Southwest Virginia community has rallied to reopen its doors.

Thursday, Lee County officials took their concerns to the Southwest Virginia Health Authority Board. The board is currently reviewing the merger application filed by the region’s health systems.

“The fact of the matter is, people are dying because we don’t have a hospital,” said Lee County Sheriff, Gary Parsons.

Parsons said they have six rescue squads, but that is not enough to cover the amount of calls they receive.

“It’s a great liability, but we’ve loaded folks into our cruisers to help the rescue squad. Because you can’t just stay there and not do anything in those situations,” he said.

After public outcry when the Wellmont Health System closed the hospital in 2013, Mountain States Health Alliance signed a lease agreement with plans to open an urgent care service in the building as soon as last year.
“It is still in the discussion stages,” said Lee County Hospital Authority Commissioner, Howard Elliott.

Some in Lee County fear that the on-going merger of Mountain States Health Alliance and Wellmont Health delayed the return of health care to their community.

“We’re not a priority for either of the organizations,” said Elliott.

Residents are also concerned that if they do not get a commitment to open the hospital through the merger, it will not happen.

“I’d say they are probably right,” said Southwest Virginia Health Alliance Chairman, Terry Kilgore. “Now is the time to get some kind of access for Lee County.”

News Channel 11 reached out to Mountain States Health Alliance to ask about the status of the Lee County Hospital. This is what they told us:

“Mountain States Health Alliance shares the Lee County Hospital Authority’s desire to ensure residents of Lee County have access to essential health care services. We stand ready to work with the hospital authority as they develop innovative solutions for meeting the county’s health care needs.”

News Channel 11 also reached out to Wellmont Health System:

“Input from the Lee County community is very important, and we appreciate its efforts. We are pleased to continue providing primary care services in the county. We are also thankful for the work of the Commonwealth in examining the future of health care in Southwest Virginia and look forward to receiving questions from the Southwest Virginia Health Authority as it conducts its important work.”
Lee County Hospital Authority takes concerns to SWVA Health Authority Board

LEE COUNTY, VA (WJHL)- Mountain States Health Alliance says it is not to blame for delays in re-opening a Southwest Virginia Hospital.

At a packed meeting Wednesday, people in Lee County, Virginia said their community is in desperate need of a hospital.

Right now, thousands of people who live in the county have to travel at least 21 miles for the nearest emergency care.

Lee Regional Medical Center closed in October of 2013. Wellmont Health System said they had no choice because of a lack of patients and federal reimbursements for patient care.

A year and a half later, people who live in Lee County say the community is taking a big hit from the loss of the hospital and they want it back.
Some at the meeting blamed the delay in reopening the hospital on the proposed merger between Mountain States and Wellmont.

Some people at the meeting last night asked the Southwest Virginia Health Authority board to require the merged systems to reopen the Lee County Hospital.

Mountain States CEO Alan Levine said the delay has nothing to do with the merger. Levine said without the savings the merger will bring, Mountain States won’t have the resources to guarantee anything in Lee County.

“If this merger occurs, that agreement is the only thing that guarantees that there will continue to be access to healthcare in the community, without the merger there’s no guarantee,” Levine said.

After Wellmont closed the hospital, Levine said Mountain States agreed to help the Lee County Hospital Authority bring health care service back to the county. Levine said the intent to help is the only formal agreement signed by Lee County Hospital Authority and Mountain States.

The plan was to open an urgent care center last year, and eventually reopen the hospital but that did not happen.

Levine said a few road blocks are to blame including an agreement between Wellmont and Lee County Hospital Authority saying Wellmont would have to approve any one else running the hospital.

Levine said another cause for the delay was the hospital authority said they had about 14 million dollars, but that never came through.
Virginia panel has questions for Wellmont, MSHA on merger

Attorney Melanie Jorgensen speaks to the Southwest Virginia Health Authority during a public meeting on Wednesday in Abingdon, Virginia.

Southwest Health Authority


ABINGDON, Va. — Two area health care systems must respond to a wide range of questions before the Southwest Virginia Health Authority can complete its review of their merger application.

The authority’s board of directors met Wednesday and its five work groups compiled nearly 70 questions dealing with topics ranging from access to costs to acute care beds. Those questions...
will be submitted this week to officials at Wellmont Health System and Mountain States Health Alliance who are seeking to merge their hospital systems through a state-approved cooperative agreement.

“We have a long ways to go,” board Chairman Terry Kilgore said after the hour-long meeting at the Southwest Virginia Higher Education Center.

The proposed merger is undergoing a similar review in Tennessee. Last month, the Tennessee Department of Health requested a wide range of additional information as it also considers the request under that state’s Certificate of Public Advantage legislation. Officials from both systems recently said they are working to provide answers to the Tennessee questions.

A delegation from Lee County made a series of impassioned pleas during the meeting Wednesday, urging the authority to include reopening their hospital in any discussions about the merger. Wellmont closed the Pennington Gap hospital in 2013, citing a lack of use, high reimbursement costs under the Affordable Care Act and a lack of physicians to cover shifts.

Attorney Melanie Jorgensen quoted passages from the merger application in how each fit Lee County’s situation.

“It benefits the people of Lee County by ‘enhancing the quality of hospital care and our regional health goals,’” Jorgensen said. “The agreement says this merger would ‘improve access to health care.’ A benefit listed for the merger is to ‘keep hospitals in geographic proximity to patients.’”

After outlining the strain placed on emergency medical responders there, Lee County Sheriff Gary Parsons said, “People are dying because we don’t have a hospital.”

Kilgore, who represents Lee County as part of the 1st District, predicted the issue would receive consideration but wouldn’t say if the authority might require a merged system to operate there.

“I think access to health care is important for Lee County. A lot of people don’t realize it is 70 miles long so I think we are going to address that with the new company, if we approve this,” Kilgore said.

No additional work group meetings will likely be scheduled until the questions have been fully answered, but the committee dealing with access to care may conduct a conference call to discuss the Lee County issue.

Kilgore said there is also concern that the proposed merged system’s governing board includes just one Virginia resident.

“I understand the major hospitals are in Tennessee, but Bristol is just a stone’s throw and about 50 percent of the patients are from Virginia,” Kilgore said.

During the meeting, Doug Gray, executive director of the Virginia Association of Health Plans, voiced concerns about a merged health system.
“We’re not a big fan of the idea of merging the two systems together because we need competition. Competition is how we can fulfill what is being demanded of us by the people who hire us,” Gray said. “What we’re being asked to do is pretty hard when there’s only one provider.”

Gray said eight of his member insurance firms would be impacted by the merger and five — Aetna, Anthem, Cigna, Humana and United — rank among the top 10 for patients of both systems. The other three administer Medicaid plans in Virginia.

Kilgore said the work has been time-consuming.

“A lot of work groups, at least the ones I’m on are finding so much of this is intertwined,” Kilgore said. “A lot of time similar questions are of concern to each working group. … Access is an important issue for all our region and population health is another we’re trying to get our arms around. How we’ll measure outcomes? I have a friend in the General Assembly who bases things on this is rocket science or this isn’t rocket science. This is rocket science.”

If the authority deems the merger application complete, it is expected to hold one or more public hearings to gain reaction to the plan before sending its findings to the Virginia Department of Health.

In Tennessee, the state health department established a regional advisory committee to develop a series of guidelines to weigh benefits of a merged system versus any drawbacks. That panel has conducted a series of public meetings and is scheduled to present its findings May 31. Tennessee Health Commissioner John Dreyzehner is scheduled to conduct a public listening session about the proposed merger June 7 at Northeast State Community College.
COPA panel to unveil recommendations for proposed Wellmont/MSHA merger

Advisory Group Recommendations


COPA panel to unveil recommendations for proposed Wellmont/MSHA merger DAVID MCGEE | BRISTOL HERALD COURIER HeraldCourier.com

BLOUNTVILLE, Tenn. — Recommendations to guide Tennessee’s review of a proposed health system merger are now online and will be publically unveiled Tuesday.

A 16-member Certificate of Public Advantage Advisory Group has completed a 15-page list of topics for the Department of Health to use in grading the proposed merger between Wellmont Health System and Mountain States Health Alliance. The group was appointed by the state Department of Health to develop ways to measure positive and negative effects of the proposed merger.

The committee will host a public hearing about its recommendations at 5:30 p.m. Tuesday at the Sullivan County Health Department in Blountville.

“I think the committee has done a fantastic job of including all the public’s concerns,” Chairman Gary Mayes said. “We had all those public listening sessions and I think the committee captured everything the public wanted in terms of concerns. I’ve been blessed to work in public service a long time and I’ve never seen a group do that before.”

If ultimately approved, the merger would combine operations of 19 hospitals and other health care facilities and about 14,000 employees across Northeast Tennessee and Southwest Virginia.

Both states are conducting separate processes to review the merger application and neither has deemed the application complete. If deemed complete, each state will then have a specific amount of time to approve or reject the merger.

The recommendations include broad topics like access to care, population health and economic impact and then delve into specific concerns ranging from the potential for closing health care facilities to sharing electronic health information, wellness education and wait times at emergency departments.

The recommendations are the culmination of a three-month series of public meetings and work sessions. The committee was originally expected to complete its work two weeks ago, but needed additional time.
“The committee has worked very hard. We will submit this to the commissioner along with the public comments that we get at Tuesday’s meeting,” Mayes said.

State health officials have scheduled a separate public hearing June 7 to hear from supporters and opponents of the merger.
Wellmont and MSHA Proposed Merger
Board updates on status of merger

Duke and Wellmont 02

Dr. Raymond Barfield, pediatric oncologist, Duke University School of Medicine, left, listens to Nurse Practitioner Laura Hutchinson, Wellmont Hospice House and Roger Leonard, Wellmont Health System board chairman during a tour on Thursday.

Hospital merger board listens to Employees

Board updates on status of merger DAVID MCGEE| BRISTOL HERALD COURIER

BRISTOL, Tenn. – Officials of two area hospital systems remain upbeat about their proposed merger despite lengthy state reviews, Wellmont Health System board Chairman Roger Leonard said.

Health officials in Tennessee and Virginia continue to review the request from Wellmont Health System and Mountain States Health Alliance to merge into a single entity. The applications were filed in mid-February, but both states are currently seeking substantial additional information before the applications can even be deemed complete. Any approval review can only occur after each state determines the application is complete.

“It’s a tough process, a difficult process. It’s taking a lot longer than we had hoped, but we’re still very enthusiastic,” Leonard said.

The two longtime rivals announced plans to merge in April 2015 and spent the remainder of last year developing how it could work and preparing applications for each state.
“All along, we’ve advocated this be an open and transparent process. All along, we’ve advocated community input into this process,” Leonard said. “So, the fact it may be taking a little bit longer, as far as I’m concerned, is a good thing, because it’s inviting more people into the conversation. It’s allowing us to continue to strengthen the planning process so, while its taking longer, I think the outcome will be even better. The state departments of health are making this a better, stronger merger.”

Officials of both systems recently said they are compiling information to answer a series of questions from the Tennessee Department of Health. Last week, the Southwest Virginia Health Authority met and announced it was submitting nearly 70 questions needed before it could deem the application complete.

Authority Chairman Terry Kilgore, a state delegate from Gate City, predicted once those answers are received, the Virginia authority would likely be able to complete its work. Each state department of health must approve the plan and it is to be reviewed by each state’s attorney general.

Leonard said both systems remain committed to the merger and are doing what they can behind the scenes to prepare to combine the operations of some 14,000 employees, 19 hospitals and numerous other clinics and health care facilities across Southwest Virginia and Northeast Tennessee.

“We have 17 work groups that are actively engaged in doing the level of planning we can do. Obviously, we’re very mindful of the anti-trust constraints we have and we’re trying to follow those guidelines as carefully as we possibly can,” Leonard said. The board members that are involved in this – our joint board task force – the chemistry is remarkable. We all have the same goals and all are part of this region. Our roots are deep here and we are committed to making this a high impact event for our region.”
BLOUNTVILLE, Tenn. — A series of public recommendations are now expected to become part of the state’s process for evaluating the proposed merger between two regional health care systems.

A state-appointed, regional advisory group has completed the 15-page index and Tuesday held a final public listening session where only one person spoke. For the past three months, the group held meetings to listen to the public and compile community concerns and ideas regarding the proposed merger between Wellmont Health System and Mountain States Health Alliance.

“We submitted this to the commissioner that he can use or COPA [the Certificate of Public Advantage] can use as oversight to monitor the advantages or disadvantages of the proposed merger,” group Chairman Gary Mayes said after the meeting. “The commissioner wanted to know what was important to the public in their health care systems and I don’t think there are many things in East Tennessee more important than this COPA and the health care systems.”

The two systems operate 19 hospitals, numerous other facilities and employ about 14,000 people in East Tennessee and Southwest Virginia. They submitted joint merger applications with both the Tennessee and Virginia departments of health and each is currently reviewing them to determine if the merger is in the public’s best interest.

“The COPA rules allow for an index and the public has had input to this index. Without question this will have a heavy weighted scale on the decision process and what should be included,” Mayes said. “I think the index will be important to show the successes of the merger in terms of population health improvement. It should also pick up on concerns of the potential merged entity.”
The submission includes broad themes like improving public health and specific areas of concern, including reducing diabetes and obesity, Mayes said.

“How do we reduce obesity? How do we lessen the diabetes rates or smoking rates? Improving health among children to have a future of good health was a concern,” Mayes said. “We also heard the public does not want their services lessened in their city or their county; they want to maintain those services; they would like to see improved innovation and improved access to care.”

Expanding specialized health care services locally to reduce travel outside the region was another theme included in the index, Mayes said.

In the population health category, wellness efforts rank first and include physical activity, health screenings and proper nutrition. Reducing obesity, reducing substance abuse, preventing and controlling diabetes also ranked high on the list.

Mental health services and emergency departments ranked first and second in the report as areas to reduce wait times and improve access.

The index is strongly worded that a merged system should not impede access to essential health services through repurposing or closing existing facilities, as is mentioned in the merger application.

Other key points include not decreasing access to care in rural areas, containing costs for both inpatient and outpatient care, allowing private, non-system providers to utilize hospital resources at competitive rates, and wide access to a health information exchange system.

“This is really a complex process of two health systems coming together and what is their true long-term benefit or disadvantage to competing. And that’s where this idea of an index comes in,” Eric Harkness, director of health policy with the Tennessee Department of Health, said during the meeting.

The index would ultimately be how the state would hold a merged health system accountable over the long term, Harkness said.

Harkness refused to speak to the news media after the meeting.

Commissioner John Dreyzehner and his staff must ultimately decide the final index. The commissioner is scheduled to host a public listening session about the proposed merger June 7 at Northeast State Community College. It begins at 5:30 p.m.
Advisory group presents suggested COPA index ahead of application's public hearing

JESSICA FULLER • MAY 31, 2016 AT 9:19 PM
jfuller@johnsoncitypress.com

The Certificate of Public Advantage advisory group presented its final draft of a recommended index for the proposed Wellmont Health Systems-Mountain States Health Alliance merger, then disbanded after a short meeting Tuesday.

After listening through a series of four public hearings, Chairman Gary Mayes said the group split the index — or list of rules — into four main categories – population health, economics, access to care and other issues. Each category includes a list of suggested rules for the new health care entity to follow, and group members used an anonymous voting system to rank the rules in order of importance in the community.

And Mayes said that all in all, he feels the resulting index is an accurate accumulation of the concerns and ideas presented in each of the public hearings.

“I’m very, very pleased, it was a very transparent process that we went through,” Mayes said, adding later that he felt the finished index was “very inclusive.”

In the finished document, rules under each category are listed in order of most votes from group members, which Mayes said reflected the group and community’s concern with the merger. Among the most-voted rules are rural access to primary, urgent and emergency care services, repurposing/closure of facilities not impeding access to essential health services, mental health and substance abuse services and effort to reduce obesity in all populations.

Tuesday’s public hearing only brought one speaker to the podium, assistant director of Wellmont Diabetes Treatment Centers Jim Perkins. He took his three to five minutes to thank the advisory group for putting an emphasis on treating obesity in the area, pointing to Sullivan County being one of the counties in the state that is most heavily affected by obesity-related diseases and a surge in prediabetes in children.

“Both Wellmont and Mountain States have placed diabetes as a key concern in their COPA applications and have targeted Type 2 diabetes as a particularly important issue,” he said, adding, “I’d like to thank you all for making diabetes such a high priority in the index.”

The completed index will be submitted to Tennessee Department of Health Commissioner John Dreyzehner, who will have discretion over the items included in the final index.
If a COPA is issued, then the TDH will be responsible for ongoing supervision of the merged entity. A public hearing on the COPA application is scheduled for June 7 from 5:30 to 7:30 p.m. at Northeast State Community College’s Regional and Performing Arts Center. The index rules can be read by visiting the TDH website.
Hospital merger public input sent to TN health commissioner

By Cassandra Sweetman, Multi-Media Journalist, CSweetman@WCYB.com

POSTED: 9:46 PM May 31 2016

BLOUNTVILLE, Tenn. –
The public has spoken on what's needed in the merger between Wellmont Health Systems and Mountain States Health Alliance. Now that input is on its way to the Tennessee Department of Health for consideration.

A 16-person group of regional leaders collected the public input over a series of meetings and online. That panel is called the COPA Index Advisory Group. Last week they presented all of the public's comments into an index recommendations.

These are meant to track whether the benefits of the merger outweigh the disadvantages. On Tuesday, the group held its last meeting, culminating the effort.

Only one person from the public spoke at the meeting.

Now the index recommendation will go to the Tennessee Department of Health Commissioner John Dreyzehner. He will look at that as well as a separate index recommendations made by the health systems.

The measures listed in the index may be used to evaluate the merger. The index advisory group's chairman, Gary Mayes, said the index still needs refinement from the commissioner.

"Some categories are broad in terms of population health measures, and some will have to be refined by the Tennessee Department of Health," Mayes said, "and some indices were very specific in terms of access to care and facilities' performance, and again that was the input that we got from the public."

The index recommendations can be found at the Tennessee Department of Health website.

On Tuesday June 7, a public hearing will be held on whether the COPA should be issued at Northeast State Community College at 5:30 p.m.
Hospital merger deliberations detailed, slow

By Jeff Keeling

Lee countian Melanie Jorgensen

Photo by Jeff Keeling

Groups vetting the area’s proposed hospital system merger are expressing it loudly and clearly: If Wellmont Health System and Mountain States Health Alliance combine, the new entity must not just maintain access to health care in the rural parts of its geographic service area (GSA), it must enhance it. Other messages to the systems also are coalescing as the “COPA Index Advisory Group” in Tennessee and the Southwest Virginia Health Authority (SVHA) help vet the merger proposal before it moves exclusively to the state capitals in Nashville and Richmond for a final ruling. Among them are: Be transparent with your data, and be part of a health information exchange that is accessible, affordable and open to all other providers and practitioners. Use some of the cost savings from efficiencies to improve nurses’ pay and better recruit and retain specialists. Lower the cost of care. Provide a level playing field for independent clinicians and practices, as well as insurance companies and other payors.

The rural concern was writ large at the May 25 SVHA meeting in Abingdon, Va. That meeting occurred one day after the COPA advisory group met in Blountville, Tenn. and finalized its index of measures by which the Tennessee Department of Health would annually “grade” a new system should a merger be approved.

The regional groups’ tasks differ slightly. Both, though, revolve around the states’ requirement, as rules governing Tennessee’s COPA law state, to provide “active state supervision to protect the public interest and to assure the reduction in competition of health care and related services continues to be outweighed by clear and convincing evidence of the likely benefits of the Cooperative Agreement…"
Those requirements, in turn, stem from the laws allowing the mergers, which are aimed at providing “state action immunity” from federal antitrust involvement. The primary “prongs” of that immunity are an expressed state policy to displace competition with regulation, and “active state supervision.”

A heartfelt plea in Virginia

In Abingdon, on a day that saw little discussion of SHVA members’ dozens of specific questions about the application itself, a handful of Lee County, Va. residents implored the board to require that application to include specific provisions for reopening the Pennington Gap hospital that Wellmont closed in 2013. The application as submitted Feb. 16 makes no specific mention of Lee County, a rural area on the northwest end of the systems’ GSA that stretches 70 miles from Cumberland Gap in the west to its eastern border near Big Stone Gap.

Around two dozen Lee Countians made the trip to Abingdon, and a handful spoke about various consequences of the hospital’s closure. Lee County Hospital Authority vice chairman Ronnie Montgomery provided a timeline and was followed by Melanie Jorgensen, a retired judge who pulled no punches about the community’s desires.

“The agreement says this merger would, among other objectives, improve access to health care,” Jorgensen said. She noted a specific benefit listed by the applicants as keeping hospitals in geographic proximity to patients. “How can that be without the opening of our Lee County hospital,” she said, adding that the application makes no mention of opening a hospital in Lee County.

“We ask that you give your approval to the cooperative agreement only upon the condition that the Lee County hospital be opened,” Jorgensen said.

After Jorgensen, Jill Carson, Howard Elliott and Lee County Sheriff Gary Parsons ticked off the various ill effects the closure has had on the county of 25,000 that’s been hard hit by the decline of the coal and tobacco industries. Carson spoke of the impact on families who, in specific cases, have seen loved ones die or be put at risk of death by the lack of a nearby facility. Parsons reiterated that, noting the stress on EMS providers with the closest hospitals a long drive away. “The golden hour (the critical time during which heart attack victims have more chance of surviving if they get to a hospital) is lost for these folks in Lee County,” Parsons said. “The fact of the matter is, people are dying because we don’t have a hospital in Lee County.” Elliott pointed to the “big hit” of 150 lost jobs the hospital closure had on Lee County. He said housing starts have plummeted and attracting any new jobs is next to impossible without a hospital. “We had the school system, the hospital and coal,” Elliott said of the county’s one-time economic base. “Now we have the school system.”
MSHA has been in discussions with Lee County representatives about the possibility of its coming in as a provider in the hospital building, but those talks have not neared a conclusion as yet.

The May 25 meeting also included a brief presentation from Doug Gray of the Virginia Association of Health Plans, the health insurance industry’s lobbying group. Gray cautioned the SVHA to consider what he called three critical “themes” in health care. And it concluded with Chairman Terry Kilgore – the Virginia delegate who authored the language enabling the merger to be considered in Virginia – saying the SVHA’s five committees had developed 68 questions for the hospital systems to provide clarification on prior to the Authority reaching a comfort level about deeming the application complete and beginning a 150 business day review process that ultimately will be adjudicated in Richmond.

Gray, who said his group represents eight insurance companies that have contracts with Wellmont and/or Mountain States, said the growing percentage of government-funded health care is a major consideration the merger application should address. He said such plans still use the insurance industry, which still negotiates rates with providers. “They want to see some competition amongst the health plans,” Gray said of Medicaid, Medicare, and the government-subsidized health insurance exchanges. Each of those programs offers clients the choice of multiple insurance carriers from which to choose, Gray said, in order to produce competition and, “they want us to get that competition out of you, the providers.”

Gray mentioned the continuing shift from acute inpatient care to outpatient settings as a second major theme that ought to be part of the merger consideration. The third theme he mentioned was the rise of technology in health care, including telemedicine, and the increase in different types of providers giving rise to things such as nurse-managed clinics. Gray also questioned whether the state would be able to adequately develop the tools to regulate the merged system post-approval. “That supervision is not going to be
inexpensive, and it has to be paid for,” Gray said. “And that supervision has to say, ‘look, you said you’d do x, are you doing x?’”

It will be at least this month before the SVHA deems the application complete. After redundant questions among the 68 its five work groups have developed are eliminated, what remains will be sent to the hospital systems to answer. Those groups have raised pointed questions not just about rural care, but about a host of other issues including the Virginia operations not getting short shrift as the new system looks for efficiencies. During the May 25 meeting, SVHA Chairman Terry Kilgore, the Republican delegate who authored the statutory changes that paved the way for a potential merger, alluded to the difficulty of the group’s task. “I have a friend in the General Assembly who bases his consideration of issues on, ‘this is rocket science’ or ‘this isn’t rocket science.’ This is rocket science.”

Following the meeting, Kilgore said the Lee County issue is one he expects to be addressed, “with the new corporation, assuming that we approve the plan.”

**Tennessee advisory group wraps up its work**

In Blountville, Tenn., the 16-member “COPA Index Advisory Group” met for roughly 90 minutes May 24 and finalized its index recommendations to the Tennessee Department of Health. By then, members had put in roughly 24 hours in public “listening sessions” and work sessions, along with study time, as they aimed to develop an index by which the state can measure the effectiveness of a merger, should one be granted.

The group was appointed by Commissioner of Health Dr. John Dreyzehner. Chaired by Sullivan County Health Department Director Gary Mayes, it included representatives from government, health care, public health, business, health insurance and education.

The index will allow the state Department of Health (TDH) to monitor whether the benefits a new system is providing in a variety of categories outweigh the disadvantages created by reduced competition. Those categories include access to care; population health; economic; and “other.”

Group members batted around ideas about the best wording and measures for the topics they had determined as top priorities. Ultimately, Dreyzehner’s office will take their recommendations under consideration and develop a final set of measures.
After considering between nine and 16 topics in each category and voting on each, some top priorities that emerged included:

- Rural access to primary, urgent care and emergency care
- Open networks for practitioners who agree to “fair market reimbursement,” regardless of affiliation or relationship to the hospital system
- Recruitment and retention of specialists and subspecialists to address identified regional shortages
- Wellness efforts including prevention, physical activity, lifestyle changes, screenings and nutrition
- Reducing obesity in all populations
- Cost of care provided by a new system should be contained as measured by an up-to-date benchmark for a comparable market area as established by the state (this differs significantly from the systems’ cost containment suggestion offered in the COPA application)
- Employment/contracting with physicians by the new system shouldn’t exceed 30 percent of the total physician population in the geographic service area
- Part of the margins derived from efficiencies should go toward increasing pay for system-employed nurses, who earn significantly less than their counterparts in adjoining markets
- A new system should use a Health Information Exchange that is also accessible and affordable to all providers, and which the system will use to share data as permitted by law
- Independent satisfaction surveys should be conducted annually with employees, patients, physicians and payors and included in the results in the annual report.

The entire proposed list, and other information regarding Tennessee’s COPA process, is available at [tn.gov/health/article/certificate-of-public-advantage](http://tn.gov/health/article/certificate-of-public-advantage). A public hearing at which speakers will have three minutes to speak on whether the COPA application should be approved is set for 5:30 p.m. June 7 at Northeast State Community College’s performing arts center. TDH also is accepting written comments on whether the COPA
application should be granted or denied, past its original June 7 deadline. Those comments, which can also be made through the COPA website, will be accepted for 60 days after the COPA application is deemed complete, an action which had not yet occurred when the Business Journal went to print.
If you thought – for good or for ill – that Mountain States Health Alliance and Wellmont Health System were looking at a first and goal on the five-yard-line after announcing in April 2015 they would seek approval to merge, you almost certainly weren’t alone.

Proponents of Wellmont opting for a local partner as it sought “strategic options” had begun in August 2014 fighting what seemed very long odds. But by April there they were, leaders of the two systems who for years had engaged in a sometimes bitter rivalry, shaking hands and touting the boundless health and economic benefits the laying down of swords and picking up of plowshares would yield for the region. East Tennessee State University was on board to become a key partner as well and create an academic health juggernaut. The research dollars would flow into the area, allowing useful studies of the chronic problems such as heart disease, diabetes and drug abuse that plague this region as severely as any. There was already a website, and we hoi polloi in the media were treated that very day to complimentary “Becoming Better Together” ballpoint pens.

The systems spent the next 10 months preparing their applications for merger approval to Tennessee and Virginia. By February, one could find much evidence among regional leaders of every stripe, at least publicly, of strong support for the merger. And indeed, as I wrote in this space in April 2015, it was possible the hospital systems' leaders had, “put their passion, skills and energy into constructing an initial framework for change they believe can, fully implemented, offer the best possibility of improving our people’s health, growing the economy, and protecting consumers.”

In that same column, though, I also wrote that as a journalist, “my role in this matter includes investigating the facts as they are presented or uncovered,” and that our publications’ roles include, “conveying those facts fairly and objectively to the public and holding accountable the leaders who are carrying out this plan.”

What I hoped then, but was unsure of, was that the states and others charged with scrutinizing this proposal would approach their responsibilities with the utmost diligence. If they didn’t – if the many powerful interests arrayed in favor of creating what would amount to a monopoly created a chilling effect on appropriate scrutiny – we all could be the worse for it.
My fears weren’t allayed when the COPA Index Advisory Group held its first public listening session in March. Speakers were asked to comment on specific measures they would like to see included in the measures the Tennessee Department of Health (TDH) will use to grade a merged system, should the merger be approved. One would have expected comments about things like reducing obesity and smoking rates, or protecting consumers through specific pricing regulations and prohibitions against shutting out independent practitioners. Instead, I heard most speakers repeat what we already knew they believed – “merger good, merger good.” It still seemed possible to me that the systems were, indeed, facing a short path to the end zone.

The intervening 10 weeks have disabused me of that notion. As it turns out, the would-be partners’ situation was closer to having recovered a turnover on their own two-yard-line, with the league’s best defense and 98 yards of real estate separating them from their goal. The COPA Index Advisory Group has completed its work and sent the framework for a strong regulatory structure to Nashville. TDH itself has sent two toughly-worded letters to the systems asking for more and clearer information about their merger plans. North of the state line, the Southwest Virginia Health Authority has engaged in similar levels of tough scrutiny.

These are all good signs. Any team that can march 98 yards against a good defense deserves to score. Time will tell whether that is the metaphorical end result in this case, but one hopes that if it isn’t, it will be because it was found that any “clear and convincing evidence of the likely benefits of the (merger)” did not outweigh disadvantages caused by the reduction in competition the merger would create.

That brings me to my final point. Some of the hospital systems’ responses to their challenge have so far left me underwhelmed. For example, the latest TDH “you’ve got work to do” letter said the systems needed to “identify any potential disadvantages that may result from the Cooperative Agreement.” Their application had glossed over that one. And despite TDH’s warning to “avoid conclusory responses,” the systems’ initial response letter, while polite, gave me pause at this point: “… we welcome the opportunity to further elaborate on the ways in which the benefits of our proposed merger significantly exceed the disadvantages, if any.”

It’s the “if any” part that bothers me. Of course there are potential disadvantages. I hope, and expect, the merger applicants have some better stuff in their playbook.
Hospital merger: Group finalizes “grading” recommendations

By NN Assistant on June 2, 2016 Featured

Public hearing on merger June 7 in Blountville

What:
A chance for people to speak for up to three minutes each on whether they support or oppose Wellmont Health System and Mountain States Health Alliance’s proposal to merge.

Where:
Northeast State Performing Arts Center, 2425 TN Highway 75S, Blountville

When:
5:30-7:30 p.m.

Written comments may also be submitted, and will be accepted up to 60 days after the Tennessee Department of Health deems the merger application complete. Visit tn.gov/health/article/certificate-of-public-advantage and click the “COPA How to Comment” tab for more information.

By Jeff Keeling
Clear messages to the area’s hospital systems coalesced as a group charged with recommending measures for Tennessee to “grade” any merged system completed its work: Don’t just maintain the current level of health care access for rural patients – enhance it. Be transparent with your data, and be part of a health information exchange that is accessible, affordable and open to all other providers and practitioners. Use some of the cost savings from efficiencies to improve nurses’ pay and recruit and retain specialists. Lower the cost of care. Provide a level playing field for independent clinicians and practices.

In Blountville, the 16-member “COPA Index Advisory Group” met May 24 and finalized its index recommendations to the Tennessee Department of Health (TDH). By then, members had spent about 10 hours in public “listening sessions” accepting comments on what measures should be included. They had put in another 15-20 hours devising specific measures surrounding access to care, population health, economics and “other.”

The group was charged with its task by the Tennessee law that enables a “Certificate of Public Advantage” (COPA) to govern hospital mergers that reduce competition, and appointed by Commissioner of Health Dr. John Dreyzehner. Chaired by Sullivan County Health Department Director Gary Mayes, it included representatives from government, health care, public health, business, health insurance and education.

Its work is part of the TDH effort to devise rules, expectations, measures and a regulatory structure that ensure citizens will gain more than they lose if hospital systems merge and that merger significantly reduces competition. TDH is navigating uncharted waters following Wellmont Health System and Mountain States Health Alliance’s Feb. 16 application for approval to merge. The process has been deliberative, complex and laborious so far, and the application has yet to be “deemed complete” in either state, making any final decision on the merger request unlikely to occur before late 2016 at the earliest.

Rules governing Tennessee’s COPA law require, “active state supervision to protect the public interest and to assure the reduction in competition of health care and related services continues to be outweighed by clear and convincing evidence of the likely benefits of the Cooperative Agreement…”

Those requirements, in turn, stem from the law allowing the mergers, which aims to provide “state action immunity” from federal antitrust involvement. The primary “prongs” of that immunity are an expressed state policy to displace competition with regulation, and “active state supervision.”

The COPA Index Advisory group held a hearing in Blountville Tuesday night. The public was allowed to comment, but the proposed measures were not subject to change. A public hearing on the merger itself is set for Tuesday in Blountville (see box).

During their meetings, COPA index group members exchanged ideas about the best wording and measures for the topics they had determined as top priorities. Dreyzehner’s office will take their recommendations under consideration and develop a final set of measures.
After considering between nine and 16 topics in each category and voting on each, some top priorities that emerged included:

- Rural access to primary, urgent care and emergency care must be maintained or increased

- Open networks for practitioners who agree to “fair market reimbursement,” regardless of affiliation or relationship to the hospital system

- Wellness efforts including prevention, physical activity, lifestyle changes, screenings and nutrition

- Reducing obesity in all populations

- Cost of care provided by a new system should be contained as measured by an up-to-date benchmark for a comparable market area as established by the state (this differs significantly from the systems’ cost containment suggestion offered in the COPA application)

- Employment/contracting with physicians by the new system shouldn’t exceed 30 percent of the total physician population in the geographic service area

- Part of margins derived from efficiencies should go toward increasing pay for system-employed nurses, who earn significantly less than counterparts in nearby markets

- A new system should use a Health Information Exchange that is also accessible and affordable to all providers, and which the system will use to share data as permitted by law

- Independent satisfaction surveys should be conducted annually with employees, patients, physicians and payors and included in the results in the annual report.
Business leaders, state lawmakers back health systems' merger

ROBERT SORRELL | BRISTOL HERALD COURIER | Posted: Tuesday, June 7, 2016 11:16 pm

COPA 01

Tennessee Department of Health Commissioner John J. Dreyzehner (center), and other members of the TDH listen during the public comment session of the COPA hearing for the Mountain States and Wellmont merger Tuesday at Northeast State.

BLOUNTVILLE, Tenn. — More than two dozen business leaders and three state politicians in the Mountain Empire told Tennessee health officials Tuesday night that they support the proposed merger of the region’s two largest health systems.

The officials spoke about the proposed Mountain States Health Alliance and Wellmont Health System merger during a public hearing at Northeast State Community College by the Tennessee Department of Health. State Health Commissioner John Dreyzehner attended the meeting and listened to each of the approximately three-minute comments.

Dreyzehner, who previously worked in Southwest Virginia, called the process of obtaining a certificate of public advantage an historic endeavor and thanked those who attended.
Wellmont and MSHA are in the process of completing their application, Dreyzehner said. There is no timetable for when the state will receive the final application.

Dreyzehner said the state will take the public’s comments into consideration when making a final decision on the COPA. The state is also accepting written comments from those interested.


“It’s so much more difficult for hospitals these days,” said Crowe, noting that a merger would benefit health care in the region and the stability of the hospitals.

Crowe added that the two systems are not proposing the merge to become profitable, but to survive.

Lundberg said he’s disappointed the two systems didn’t merge 25 years ago when Bristol Regional Medical Center and Holston Valley Medical Center were joined. He added that competition is now hurting health care in the region.

The Tri-Cities currently has two level one trauma centers, which Lundberg said may not be necessary and take funding away from other needed services.

Local leaders from Eastman Chemical Co., Strongwell Corp., Bank of Tennessee and Appalachian Power spoke in favor of the merger.

“We started asking questions when the merger talks began,” said John Tickle of Bristol’s Strongwell Corp.

But now, Tickle said he thinks it’s the right thing to do.

Bristol Chamber of Commerce President and CEO Beth Rhinehart said she believes the merger would address some of the region’s biggest issues.

Lisa Carter, CEO of the Niswonger Children’s Hospital in Johnson City, said she supports the merger. The agreement would bring funding to the region that would support children, she added.

Carter spoke about several challenges, including access of care, drug addiction, literacy rates and economic issues, the region faces. A merger, she said, could help.
Tony Seaton, who represented the Highlands Physicians of Kingsport, said the organization supports the COPA, as long as the state continues to monitor the progress.

Several representatives from East Tennessee State University also spoke, each noting that a merger would benefit the region and programs at the university.

Several hospital employees, including leaders from BRMC, also spoke in favor of the merger. The hospital’s director of pharmacy, Dwight Owens, said he believes the merger would allow the system to improve the caliber of care. Owens, a 20-year-employee, said he’s excited about the proposal.

Another BRMC employee, Gail Mitchell, said she believes a larger system would provide support for academics and research in the region.

One private citizen, who did not identify herself, voiced her concerns, but asked Dreyzehner to make sure the quality of care improves in the region.

The two systems operate 19 hospitals, numerous other facilities and employ about 14,000 people in East Tennessee and Southwest Virginia. They submitted joint merger applications with both Tennessee and Virginia.

If a COPA is issued, then the TDH will be responsible for ongoing supervision of the merged entity, a point mentioned by a few speakers.

Dreyzehner noted that there will be additional opportunities for public input.
State collects input on health system merger; FTC official speaks of agency's analysis

NATHAN BAKER • UPDATED JUN 8, 2016 AT 9:21 AM
nbaker@johnsoncitypress.com

Eds. note: This story has been amended from the original version to correct Wellmont’s role in a federal lawsuit regarding false Medicare and Medicaid claims. A Wellmont spokesman later issued a statement saying the the system was not served with a complaint and was not required or requested to make a payment or participate in the settlement arrangements in any way.

BLOUNTVILLE — Speakers were overwhelmingly in support of a merger of the region's two dominant health care systems Tuesday at a meeting set to allow the public to voice opinions on the union to the state Department of Health.

Twenty-nine of the 35 speakers who stepped up to the podium in Northeast State Community College's Wellmont Regional Center for the Performing Arts asked Tennessee Health Commissioner John Dreyzehner and other department officials to approve the application filed by Mountain States Health Alliance and Wellmont Health System for a certificate of public advantage, allowing them to merge their facilities and employees into one organization.

“I believe if these two systems do not merge that outside companies will come in, and it will be a completely new ballgame then,” Dan Mahoney, owner of Mahoney’s Outfitters in Johnson City and a member of the MSHA Foundation, said. “I’ve got faith in this COPA, the more I read about the COPA and what it’s for, and I’ve got faith in what it’s going to do.”

Most of the speakers in favor of the COPA and the merger similarly questioned the potential impacts if for-profit companies from outside Northeast Tennessee and Southwest Virginia were to acquire the two systems.

Former Kingsport Mayor Dennis Phillips, who served on Wellmont’s Holston Valley Medical Center’s board during his tenure, said costs for health care would likely be higher and job losses deeper if two outside systems bought the Tri-Cities providers.

“The merger of these two hospitals is truly a merger, anything else coming in is a takeover,” he said. “If a hospital from out of state comes here, I can assure you they’re going to come here and take over one of these hospitals, and they’re not going to do it to serve the community, they’re going to do it to make a profit.”

Employees and administrators from the two systems also stood up in favor of granting the COPA and allowing the merger, including Lisa Carter, CEO of Mountain State's Niswonger Children's hospital, who implored the health department officials to aid the region in its fight against public health concerns, especially those affecting children.

“I’ve heard a word mentioned a lot throughout this evening, and that’s ‘competition,’ I want to talk about that, and I want to tell you what I’m competing for,” Carter said “In this region I’m competing for the health and the well-being of the children and I’m competing against literacy
rates that are not where they need to be. I’m competing against socio-economic levels that are low and families that live in continued poverty. I’m competing against unemployment rates. I’m competing against drug addiction rates that are through the roof. I’m competing against health care issues that face our region every single day that affect the lives of children.

“When I look through an agreement that allocates $140 million to the health of children and rural health of this community, it gives me hope in competing against these forces that affect these children every single day.”

Support for the merger was not unanimous among the speakers, however, as a handful of people took stances either neutral or against the Health Department’s granting of the COPA. Mark Seidman, deputy assistant director of mergers IV for the Federal Trade Commission’s Bureau of Competition, said the FTC authorized his appearance at the hearing, but added the caveat that his remarks were his own.

“In this case, the FTC staff has been analyzing the proposed merger of Mountain States and Wellmont for over a year,” he said. “While our analysis is ongoing, and we look forward to receiving additional information regarding the parties’ COPA application, there appear to be few local alternatives to Mountain States and Wellmont. This means that most of the competition that each of these two systems currently face comes from each other. A merger between them would eliminate this competition and lead to a single dominant health system in the area.”

The FTC could challenge the merger even if the health departments in Tennessee and Virginia approve it, but Seidman said such challenges are rare.

Wally Hankwitz, president of Highlands Health Management Inc., a Kingsport consultant firm, noted a civil lawsuit over false Medicare and Medicaid claims naming Wellmont as co-owner of Takoma Regional Hospital with Adventist Health System, the latter of which settled the suit in November, and participation by Mountain States in a statewide health network initiated by Vanderbilt Medical Center, and asked why those items weren’t disclosed in the COPA application.

“Where's the transparency? Where's the honesty? Where's the integrity? And we're supposed to trust what they say,” Hankwitz said. “What else is missing? What else don’t we know?”

With the two-hour public hearing passed, Dreyzehner said the comments collected would be used in consideration of the health systems’ application.

The application is not yet complete, with some Department of Health questions to the systems unanswered. The commissioner said once they have been adequately answered, his department will deem the application complete, and another public hearing on the application will be held.

From that point, the department has 120 days to make a determination on the application, including input from the state’s attorney general.

A similar process will unfold in Virginia, but Dreyzehner said his department has only conferred with peers in the commonwealth superficially to maintain an independent process.
Concerned about job losses from Wellmont-MSHA merger

Amanda Arnold | Bristol, Tennessee | Posted: Sunday, June 12, 2016 6:15 am

I am a resident of Bristol with a concern about the proposed merger of the two hospital systems, Wellmont and Mountain State Health Alliance.

My major concern is that there could be a huge job loss. Many of the jobs that might be cut would likely be jobs like admissions and janitorial. These are jobs that don’t require a lot of education. The majority of citizens in our area do not have higher education. Nonetheless, we have a huge increase in retail in our area, such as The Pinnacle and The Falls.

With job losses from the closings of Ball Corp. and Sprint, I fear that our area is not going to have the jobs to support the retail. These new retail complexes create more jobs for our area, however, many pay minimum wage and offer part-time hours.

I fear another big job loss in our area will be devastating to our economy. I do not think I am the only citizen with the concern that the merging of the two hospitals will not be healthy for the area’s economy.

Amanda Arnold | Bristol, Tennessee
Public invited to give input on Wellmont-MSHA merger

Healthcare professionals and other concerned parties attended to talk to the Advisory committee in April at Northeast State about the Wellmont Mountain States merger.


TAMMY CHILDRESS| BRISTOL HERALD COURIER

John Dreyzehner, the Tennessee Health Commissioner, will host a public listening session Tuesday from 5:30-7:30 p.m. at Northeast State Community College’s Regional and Performing Arts Center regarding the Wellmont-MSHA COPA [the Certificate of Public Advantage] application.

A series of public recommendations are expected to become part of the state’s process for evaluating the proposed merger between two regional health care systems.
For the past three months, a state-appointed, regional advisory group has held meetings to listen to the public and compile community concerns and ideas regarding the proposed merger between Wellmont Health System and Mountain States Health Alliance.

The two systems operate 19 hospitals, numerous other facilities and employ about 14,000 people in East Tennessee and Southwest Virginia. They submitted joint merger applications with both the Tennessee and Virginia departments of health and each is currently reviewing them to determine if the merger is in the public's best interest.

If a COPA is issued, then the Tennessee Department of Health will be responsible for ongoing supervision of the merged entity.

The state isn’t saying if this will be the only public input before the application is reviewed but it is the only one currently scheduled.
The people have spoken about the proposed merger between Mountain States Health Alliance (MSHA) and Wellmont Health System, and they’ll get at least one chance to do so again in Tennessee.

Nearly three dozen people spoke at Northeast State Community College’s performing arts center June 7, sharing their thoughts on the relative advantages or disadvantages the regulated monopoly would provide the area. Their audience included Tennessee Commissioner of Health Dr. John Dreyzehner, two Department of Health (DOH) lawyers and a health planning official.

“This is a new and in some ways precedent-setting and historic process, and we appreciate the cooperation of the applicants and the many other stakeholders in our mutual obligations to the integrity of the process under Tennessee law,” Dreyzehner said prior to the comment period.

The meeting, Dreyzehner said, provided the opportunity for DOH to hear “the perspectives of the public and other stakeholders regarding the advantages and disadvantages of the agreement.

“We do believe by your presence here tonight that that is a terrific reflection of your commitment to the health and prosperity of this region and the state of Tennessee,” he said.

Since the systems announced their intention to merge in April 2015, Dreyzehner noted, DOH has worked “with all speed” to develop a framework for a “Certificate of Public Advantage” (COPA) that would govern the cooperative agreement the systems submitted for approval Feb. 16 of this year.

In essence, a COPA – a never-used tool in Tennessee – would set the regulatory structure by which the state would oversee a merged system. The COPA law is designed to provide any merging systems “state action immunity” from standard federal antitrust scrutiny and enforcement.
The law makes it state policy, “in certain instances, to displace competition among hospitals with regulation…” If the state determines that “the likely benefits resulting from the agreement outweigh any disadvantages attributable to a reduction in competition,” DOH will provide ongoing, “active supervision” of the new system.

John Dreyzehner

The review process has taken more time than anticipated, Dreyzehner said, and another public hearing will be scheduled. On March 28 and April 22, DOH sent the systems letters requesting more information, and continues to wait on answers before deeming the COPA application “complete.” Once that is done, a 120-day review process also involving the state attorney general’s office will commence.

Views touch on broad range of topics, largely supportive

Views expressed June 7 were largely favorable to the proposal. Speakers who did express concerns – with the exception of a Federal Trade Commission (FTC) official – were generally willing to acknowledge, with caveats, that a merger could benefit the region.

Most speakers touted the advantages the systems have said a merger will create, driven by millions of dollars in savings gained each year through efficiencies brought on by a reduction in unnecessary duplication of services. A few of those are increased research opportunities in collaboration with East Tennessee State University, better behavioral health coverage, more effective physician recruitment and a stronger focus on overall population health. Speakers also warned against the alternative of eventual sale to outside entities that would strip local control and move corporate jobs and decision making outside the area.

Cautionary notes were struck about a new system’s potential use of Certificate of Need laws to further suppress competition, with Appalachian Orthopaedics CEO Craig Turner urging the state to reevaluate its CON law and allow for less restrictions on establishment of competing healthcare services in the area.
Assistant General Council David Woodmancy said the merger proposal could allow high quality health care to remain available and affordable in the region, thus allowing companies like Eastman to attract and retain talent. He said Eastman supports the plans detailed in the systems’ COPA application, but added that proper oversight is a must.

He referenced major changes under way in the healthcare sector, “driven by government policy changes as well as economic conditions, demographics, and competition facing our global economy.

“In order to remain competitive our healthcare system must proactively focus on managing costs, improving quality, and finding efficient and innovative ways to improve operations and services.”

Eastman, being self-insured, makes healthcare provider choices based on quality and value of services for its employees and families. The state will play an important role, Woodmancy said, in closely tracking expenditures and collective investments, “to insure improvements in the health care of our region.

“If the merger is approved and a new system is managed appropriately, we believe this will lead to higher quality for patients, better access, and more manageable cost for employers like Eastman, who want to ensure our employees have the care they need.”

What lies ahead in the review process

A question Dreyzehner answered after the hearing seemed to echo Woodmancy’s comments, as did a comment from First District Congressman Dr. Phil Roe in a Thursday interview with News & Neighbor.

Asked whether changes in the industry might justify a non-competitive situation such as that envisioned by the systems’ cooperative agreement, Dreyzehner said this:
“I think the one constant in health care has been change, both from a regulatory standpoint and from a knowledge standpoint. What we know now in terms of health and health care is substantially more than we knew a few years ago, and that will continue, so anyone who would argue that change is not a constant in the health sector, one of the largest industries in the United States, hasn’t been paying close attention to the health sector.”

Roe, who called himself “a free market guy,” said he initially was skeptical of the merger proposal. He added, though, that the healthcare system has become less and less governed by free market forces.

“What you have is a very regulated health care system where there is no negotiation with Medicare for the rates that are determined. There is no negotiation with Medicaid. So with the majority of your payors fixed, entities like Mountain States and Wellmont had to look for other solutions to try to cut cost.

“I see exactly why they’re doing what they’re doing, and being a free market person that’s not how I’d like to see it, but unfortunately health care’s not that way.”

Dreyzehner said he expects DOH to use the full 120 days to review all the information once the application is complete for what he called, “such an important decision.” First, the systems must answer the written questions posed by DOH.

The public should be able to see the systems’ answers to the additional DOH questions. DOH regularly posts all non-confidential COPA information on its website. Written comments also can be submitted online or in the mail regarding the merger proposal, for 60 days after the application is deemed complete. The main page for the COPA, which includes additional tabs on the left side, is at tn.gov/health/article/certificate-of-public-advantage.
Majority of letters, emails to state raise concerns about hospital merger

JOHNSON CITY, TN (WJHL) – More than 80% of all written public comments submitted to the Tennessee Department of Health since February raise concerns about the proposed Mountain States Health Alliance-Wellmont Health System merger. At our request, the state agency provided us with all documented public comments received after the two health systems formally filed their application.

The dozens of emails and letters (roughly half of them anonymous) either completely oppose the merger or at the least, raise red flags.

Helen Wright of Johnson City actually signed her name. The 66-year-old retired teacher has sent two emails in recent months.

“I’ve always been opinionated,” Wright said.

Wright has heart disease, kidney disease and is diabetic. She says she’s afraid of what one combined health system will mean for her access to specialty care.

“People like me there will be an impact on,” she said. “Doctors are going to be overworked, overloaded with patients. I don’t think it’s going to be better for the long run.”
Wellmont and MSHA officials say they want to hear directly from anyone with concerns so they can clarify any misinformation.

“For someone like Ms. Wright, we really want to allay those fears and assure her that this will be an environment that will improve quality, improve access, decrease cost,” Wellmont Senior Vice President of System Advancement Todd Norris said. “These are our patients. They’re people we care about deeply. We don’t want them to be concerned or fearful. We want them to understand the absolute benefit that’s here for them individually. Our motivations are to create an atmosphere that creates higher quality, lower cost for the patients that we serve, that improves access rather than diminishes it.”

Among the others who’ve raised concerns with the state is Appalachian Orthopaedics CEO Craig Turner, who also spoke at a public hearing earlier this month. He says his group doesn’t oppose the merger, but does want to make sure every safeguard is in place to ensure physicians can continue to grow their business to meet the needs of patients without the new health system standing in the way. He’s suggested the state scrap its Certificate of Need process, or at the least “limit the ability of the merged entity to oppose CON applications.”

“We’re absolutely committed to doing everything we can to make sure that not only are the health systems advanced, but the physicians, the physicians that are both independent and employed, are put in a position to thrive,” Norris said. “If we can’t all thrive together then we will not be able to serve the region the way that we need to serve it.”

Despite the dozens of letters of concern, and in some cases flat out opposition since February, Norris says the health systems think the public overwhelmingly supports the merger. They reference the 60 letters of support from area businesses, agencies and health officials provided to the state prior to February and the majority of comments at the public hearings since then.

“In totality, the public comments have been extremely positive and very supportive of the merger,” Norris said. “The community as a whole really embraces the idea that this is really in the best interest of our region.”

Insurance groups and the Federal Trade Commission are among the others that have formally voiced concerns about the merger.

“We actually hear concerns expressed more than opposition expressed,” Norris said.

The Tennessee Department of Health plans on holding at least one more public hearing in the near future. In the meantime, the health systems are urging people to take a close look at their Certificate Of Public Advantage application.

“The commitments that we ultimately agree to with the states will be enforceable and there will be consequences if we don’t achieve them,” Norris said.

People in Virginia will be able weigh-in at some point too. The public comment period there has not yet started. The Southwest Virginia Health Authority is still reviewing the merger documents and requesting additional information before deeming the application complete.
Hospital merger approval process expected to drag on through end of year, maybe 2017

NASHVILLE, TN (WJHL) – It is looking more and more unlikely that the proposed Mountain States Health Alliance and Wellmont Health System merger will be approved in 2016, considering the Tennessee Department of Health’s timeline.

The Department of Health, which is responsible for overseeing the Certificate Of Public Advantage process, held a public hearing earlier this month, but it won’t be the last one.

“There will be at least another COPA public hearing like the one held on June 7 in Blountville,” Communications and Media Relations Associate Director Bill Christian said. “We will let the public know as soon as the next public hearing is finalized.”

According to Christian, the Department of Health has not yet deemed Wellmont and MSHA’s COPA application complete.

“Once deemed complete a 120-day review process will begin by TDH along with the State Attorney General’s Office,” he said.

If that review started today it would continue through the end of October, and that’s not considering the process in Virginia.
“The working groups are still actively reviewing, getting additional information from the applicants,” attorney Jeff Mitchell said of the merger approval process involving the Southwest Virginia Health Authority’s approval of the merger.

According to Mitchell, the merger application is not deemed complete at this time.

“The comment period has not started,” Mitchell said. “The Authority has continued to meet and there have been presentations to the Authority, but not official (public) ‘comments’ as set forth in the statute.”

The health systems originally hoped to close on the deal in August. Wellmont Senior Vice President of System Advancement Todd Norris says although that was the initial estimate, since this merger is the first of its kind, officials really didn’t know how long it would take to secure approval. Regardless, he says the health systems are supportive of a deliberate process.

“The most important thing for all to keep in mind at this point is the process is more important than the timing, getting it right is more important than the timing,” Norris said. “We’re very interested in making sure that the process leads to a final outcome that is in the best interest of the region, the best interest of the community…This is a once in a lifetime opportunity really to get this right.”

Tennessee has spent the last several months collecting feedback from the public. We’ve obtained the dozens of emails and letters sent to the Department of Health since February. We’ll tell you what those documents reveal Tonight at 6 on News Channel 11.
FTC’s decision in West Virginia could impact Mountain States-Wellmont hospital merger plan

By Josh Smith Published: July 8, 2016, 4:16 pm  Updated: July 8, 2016, 4:34 pm

Johnson City, TN (WJHL) — The Federal Trade Commission has dropped its opposition to a hospital merger in West Virginia. But the federal agency signaled its intention to continue opposing hospital mergers that reduce competition.

This comes as the Tri-Cities two health systems seek state approval to merge into a single new company which would control almost every hospital in the region.

Last week, the FTC dropped its challenge of a hospital merger in Huntington, West Virginia, after the state of West Virginia enacted legislation allowing for state oversight of merged healthcare companies, legislation modeled on statute passed by the State of Tennessee.
Tennessee lawmakers approved legislation establishing state oversight of hospital mergers that reduce competition, a move that cleared the way for Mountain States Health Alliance and Wellmont Health System to merge into a new company.

But while the FTC dropped its effort to block the West Virginia merger, it had harsh words for it and similar deals. The FTC said state cooperative agreement laws “are likely to harm communities through higher healthcare prices and lower healthcare quality.” And the FTC said, “Our decision to dismiss this complaint without prejudice does not necessarily mean that we will do the same in other cases in which a cooperative agreement is sought or approved.”

However, an FTC spokesperson told News Channel she wasn’t aware of any case in which the FTC successfully blocked a merger in which there was a state cooperative agreement in place.

The FTC has questioned the need for and the public benefit of a MSHA / Wellmont merger, but the federal agency has not challenged the local merger plan.

The local merger plan calls for state oversight by Tennessee and Virginia health officials to compensate for the lack of competition caused by the deal.

Alan Levine, CEO of MSHA, has led the effort to merge with Wellmont Health System by winning state approval through a Certificate of Public Advantage. The CEO of MSHA said the FTC made the right decision in ending its opposition to the West Virginia merger where state law allows for such deals.

“It is the indisputable policy of Tennessee and Virginia to permit the merger we have proposed, and we believe our applications show demonstrably why the merger of Mountain States and Wellmont will reduce the growth in costs of healthcare, improve quality, sustain our hospitals and improve the health of our region,” Alan Levine. “These benefits are why there has been so much support for our effort by our region’s employers and our local governments.”

The company’s merger application still has not been deemed complete by Tennessee and Virginia health agencies. The companies had hoped to have the merger complete this summer, but that doesn’t seem likely until early next year.
Health authority could act on health system merger application next month

David McGee | Posted: Thursday, July 14, 2016 5:31 pm

ABINGDON, Va. - The Southwest Virginia Health Authority could act on the proposed merger of two local health systems as soon as next month, Delegate Terry Kilgore said today.

Wellmont Health System and Mountain States Health Alliance have provided supplemental information requested by the health authority, which Kilgore chairs. The authority recently requested the information as part of its review of the merger application.

“Late yesterday, we received responses to our first round of questions submitted to the applicants a few weeks ago,” Kilgore said in a written statement. “We look forward to reviewing them and hopefully concluding our process by mid-August.”

The authority is charged with deeming the application complete, so it can then undergo a state review.

The two systems are undergoing a similar review in Tennessee, but state officials there haven't given any indication when that application may be deemed complete.

Wellmont and Mountain States submitted their application in February. The Board of Directors of the health authority formed several working groups to focus on five different aspects of the application: access, cost, population health, quality and competition. Over sixty questions developed by the working groups were submitted to the applicants on May 27, 2016.

“I have asked the working groups to reconvene as quickly as possible to review this information and determine if any additional information is needed prior to the authority’s formal consideration of whether the application is complete,” Kilgore said.

Following the completeness determination, a written public comment period and a public hearing with the Virginia Commissioner of Health will occur.

For more information about the process, the application, the additional information provided by the applicants, and the schedule, please visit the Authority’s website www.swvahelthauthority.net
MSHA/Wellmont Merger: Questions about jobs, facility use remain

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Monday, July 18, 2016 9:43 pm

Any job cuts from a proposed merger of the region’s health systems would likely occur at administrative not clinical levels, according to responses to a series of questions from the Southwest Virginia Health Authority.

Wellmont Health System and Mountain States Health Alliance stopped short of defining specific plans for staffing levels and possible job losses in responses submitted last week in response to nearly 70 questions received from the board last month. Questions dealt with a range of issues from operation of existing facilities to competition.

The two health systems are attempting to merge but must gain approvals through separate processes in both Virginia and Tennessee. The two systems operate 19 hospitals, numerous other facilities and employ about 14,000 people in East Tennessee and Southwest Virginia.

Many of the authority board’s questions dealt with the potential impact a merger could have on sparsely populated Southwest Virginia and the likelihood of lost jobs at rural facilities.

“The parties are not able to provide numbers and plans for specific labor saving measures at specific hospitals and facilities at this time because antitrust laws prohibit the parties from sharing information in sufficient detail to enable them to formulate such plans,” according to the health systems. “The parties have identified broad areas of potential labor savings, primarily in overlapping corporate support infrastructure, such as administration, finance and accounting, health information management, human resources and supply. There is less overlap of corporate support in Virginia. With the exception of Wise County, which has three acute care hospitals, there is little duplication of services in Virginia.”
Wellmont operates Virginia hospitals in Big Stone Gap and Norton while Mountain States operates hospitals in Abingdon, Clintwood, Lebanon, Marion and Norton. Collectively, officials have pledged to keep all Virginia hospitals open at least five years, to reinvest any savings into “local, community-based services and to expand specialty services” and opportunities to create new service offerings.

“The parties believe there is opportunity to maintain or grow the labor force in Virginia,” according to the health systems. “Even in Wise County, where there could possibly be service alignment, the savings generated from the merger will likely allow new services to be added that do not currently exist in the community -- thereby creating job opportunities and minimizing any potential negative impact on staffing in Wise.”

Residents of Wise County and the city of Norton accounted for 14.6 percent of total inpatient volume of all Wellmont and Mountain States hospitals combined during fiscal 2014-15, which trailed only the city of Bristol and Washington County at 21.6 percent among Virginia localities.

Responses also dealt with how services might expand to deal with issues including mental health and substance abuse treatment.

“The population would benefit from greater access to services that will better meet their health care needs, including more behavioral health and addiction treatment services. The cooperative agreement will enable the parties through savings resulting from combined synergies to expand health care services in a geographic region in which the larger trends are shifting away from expansion,” according to the health systems.

Authority board Chairman Terry Kilgore said Monday the full board hopes to meet later this month.

“We are working on scheduling right now so hopefully next week we can get together,” Kilgore said. “We would probably get the whole board together first, then the subcommittees. We need to see if the answers they provided are sufficient and if the board has additional questions. If not, hopefully we can convene again to determine if the application can be deemed complete.”

If the authority board determines the application is complete, it will be followed by a written public comment period and a public hearing with the Virginia commissioner of health.
The Johnson City Press received five first-place awards, including the Meeman Foundation Award for Public Service, in the annual State Press Awards announced Thursday by the Tennessee Press Association and the University of Tennessee.

The Press news staff earned 14 awards in all for articles and photographs published in 2015. Along with the public service award, the Press earned first place in investigative reporting, headline writing and best feature photograph, as well as both first and second place in best news reporting.

In the public service category, the Press submitted its series of articles reporting on Mountain States Health Alliance’s proposed merger with Wellmont Health System, a series about claims of DUI quotas for Tennessee Highway Patrol troopers and its investigation into Washington County’s “Project X” deal to fund a location for Dentsply, a local dental manufacturer. As part of the annual contest, UT’s Edward J. Meeman Foundation honors newspapers with $250 awards in the categories of editorials, best single editorial and public service.

The Project X coverage, led by Assistant News Editor Nathan Baker, also earned the investigative reporting award.

In news reporting, both the hospital system merger series and Sue Guinn Legg’s ongoing coverage of CSX Railroad’s departure brought awards.

Photographs by Managing Editor John Molley and Gary B. Gray were submitted in the best feature photo category. Headlines written by Design Editor Brian Reese received first place.

The Press also received awards in eight other categories: fourth place in business coverage, third place in sports coverage, fifth place in sports writing, fifth place in sports photography, fourth place in make-up and appearance, third place in best special issue or section, fifth place in editorials and fifth place in best single editorial.

The Press competes in Group IV, newspapers with a combined weekly circulation between 50,001 and 200,000.

Other local newspaper in Sandusky Newspaper Group’s Northeast Tennessee Media Group also received awards:

- The Herald & Tribune of Jonesborough received awards for education reporting (second), community lifestyles (first), local features (first), editorials (fifth), breaking news coverage (second) and investigative reporting (third).
• The Tomahawk of Mountain City earned fourth place in best single feature. Another Sandusky newspaper, the Lebanon Democrat won 21 awards, earning it first place in its group for General Excellence, the top award in the competition.

The Mississippi Press Association judged a total of 1,360 entries from 73 of the association's 122 member newspapers. UT has co-sponsored the annual contest since 1940.
The Southwest Virginia Health Authority met Monday in Abingdon to discuss the Wellmont and Mountain States merger.

ABINGDON, Va. – The Southwest Virginia Health Authority continued its review Monday of the proposed merger of the region’s two health care systems, agreeing to seek some specific commitments and additional information.

The authority’s competition committee met Monday to discuss responses to authority questions provided by Wellmont Health System and Mountain States Health Alliance. The regional systems are seeking approvals from health officials in Virginia and Tennessee to merge operations.

The authority is charged with deeming the application complete before sending it on to the Virginia commissioner of health. It has scheduled an Aug. 26 meeting to quiz CEOs of each system on issues including access to certain health services, screenings and emergency care in rural areas.

Much of Monday’s discussion centered on the responses – and some lack of detail – to nearly 70 questions submitted by the authority to the health care systems in late May.
“If you look at the answers we got to our questions, some of them were at the 30,000-foot level. We need more details as to what services are going to be there,” authority Chairman Terry Kilgore said after the 90-minute meeting. “The overwhelming majority of the questions were answered to my satisfaction and most members’ satisfaction.”

Authority board members are preparing additional questions that authority attorney Jeff Mitchell is to present to health system officials next week. From there, leaders of both systems are expected to attend the Aug. 26 meeting to answer those and any additional questions.

“At that time [Aug. 26] we’re going to hopefully deem the application complete and ask some questions of both systems as to what the future will be for Southwest Virginia under the proposed merger,” Kilgore said.

On Monday, the all-volunteer authority board heard from a team of consultants from the University of Virginia, who are also reviewing the merger application and the responses. Tom Massaro, a professor of medicine and law at UVa, urged the board to push for more specifics.

“It took two months to get a 124-page response and, quite frankly, the response was articulate, thoughtful but didn’t add much to the substance because – with all due respect – it was written by a group of lawyers and they didn’t want to commit anything in public at this point,” Massaro said. “The real negotiations are not going to take place until the application has been deemed complete and there is a timeline.”

In a memo to the committee, the consultants concluded the most important question to ask is whether the merger would be “a better option for the people of Southwest Virginia than continuing with the present market-based approach.”

Kilgore said he and Mitchell also plan to meet soon with the Federal Trade Commission in Washington, D.C. An FTC representative participated in Monday’s meeting via conference call.

If the authority ultimately deems the application complete, that initiates a 75-day timeline that must include a public hearing, receiving public comment and further review. Kilgore told the committee he hopes the process can be completed by November, but a timeline in the memo suggests it might be January 2017.

“This has taken longer than any of us imagined it would but it is a thorough process,” Kilgore said.
Ball back in states’ courts on hospital merger bid

By NN Assistant on August 3, 2016 Featured
By Jeff Keeling

The ball is back in Virginia’s and Tennessee’s courts with respect to the proposed Mountain States Health Alliance-Wellmont Health System merger. The hospital systems submitted lengthy responses July 13 to questions about their merger application to officials with the Tennessee Department of Health (DOH) and the Southwest Virginia Health Authority (SVHA). (Links to both the questions and answers are at the end of this story.)

Officials from both states had asked for significant additional material beyond what was in the Feb. 16 initial applications that requested a “Certificate of Public Advantage” (COPA) in Tennessee and a “Cooperative Agreement” in Virginia. Both designations are designed to appropriately regulate the merger, which would create a less competitive hospital market across much of Northeast Tennessee and Southwest Virginia, in such a way that the benefits produced by the merger outweigh any disadvantages caused by the lack of competition the merger will create.

While the SVHA didn’t send its questions to the systems until late May – more than a month later than the DOH’s last round of questions – the group appears on track to vote on the Virginia application’s completeness in a few weeks. The authority created work groups March 15 to review the application for completeness in five areas: population health, health care cost, health care access, health care quality, and competition. Those groups met with hospital system officials and engaged consultants as they looked for gaps in the initial application with respect to the systems’ operation in Southwest Virginia, finally submitting 68 separate questions in late May.

Several of the SVHA’s five work groups met Monday, SVHA Chairman Terry Kilgore told News & Neighbor Monday evening. Work group members had reviewed the systems’ answers, as well as a lengthy preamble that laid out stark economic, demographic and other challenges facing Southwest Virginia, and how those challenges affect the provision and delivery of health care.

If the questions are answered satisfactorily, the entire SVHA board (minus members with conflicts of interest) is expected to vote on whether to deem the application complete at a meeting in Abingdon, Va. Aug. 26.

“Our experts agreed with them today on the phone,” Kilgore said. Like the DOH, the SVHA has engaged consultants to help it navigate the unprecedented request for a regulated hospital system merger that would create a nearly $2 billion single system.

“Our experts called in and said, ‘listen, you’re in a market in Southwest Virginia (where) they’re going to struggle there, and this merger could be, you know, very beneficial.’ It was very eye-opening.”
After having reviewed them for nearly three weeks, group members were largely satisfied with the answers the systems provided said Kilgore, a Virginia delegate (R-First) who wrote the legislation enabling the cooperative agreement in Virginia.

“There are a few that we’ve got to follow up on,” Kilgore said. “We’re going that over the next couple weeks.”

Should SVHA members vote that the application is complete, a public comment period of 20 business days will commence. A public hearing, set up in conjunction with Virginia State Health Commissioner Dr. Marisa Levine’s office, must be held within 45 business days and no later than 75 days.

“We want to move this ball forward, and we hope we don’t even have to take the full 75 days. We hope we can get it up to the health commissioner sooner rather than later.”

In Tennessee, conversely, the state’s Department of Health (DOH) has said it expects to issue another round of questions following its own meetings with healthcare consultants. Commissioner Dr. John Dreyzehner also said after a June 7 public hearing that DOH would likely hold another public hearing before making a decision on the application’s completeness. The pace in Tennessee has become enough of an issue in some quarters to provoke open concern.

On July 20, a joint letter signed by the CEOs of the area’s three largest chambers of commerce (Kingsport, Johnson City and Bristol) was submitted to DOH. The letter, obtained by News & Neighbor, noted what the signatories said were ample opportunities for the public to comment and ask questions, and a thorough scope of work by a COPA Index Advisory Group to suggest measures for evaluating the COPA’s effectiveness.

The letter stressed the chambers’ support for the merger and belief that its advantages would outweigh the disadvantages. It even cited, “evidence of higher pricing related to non-regulated mergers and out-of-market acquisitions of systems like Wellmont and Mountain States.

“Thus, from the perspective of those who are paying a large portion of the bills … we believe the COPA model is superior in its controls on cost growth and ensuring the synergies from the consolidation remain in our communities.

“On behalf of our members,” the letter continued, “we respectfully encourage your department to work with the two health systems to bring the merger to a conclusion rapidly. As it stands, the merger may not be complete until 2017. We are concerned by this timetable and believe with diligence, the process may be accelerated.”

DOH spokesman Bill Christian said the letter from the chambers will be posted on the state’s website soon. He said DOH does plan an additional public hearing in the Tri-Cities, with the details still being worked out.

As for additional material, Christian said this: “Because much of the information received and to be received requires a sophisticated economic analysis, on behalf of the department the Attorney General’s Office has retained an experienced consulting firm with expertise in healthcare accounting and finance to assist with the department’s review of the COPA application.”

The timeline for a final decision is shorter in Tennessee than in Virginia (120 calendar days versus 150 business days), so if the Virginia application is deemed complete sooner, final decisions from both states still could come around the same time – likely after the first of the year.
Wellmont, MSHA set community meeting in Abingdon

WASHINGTON COUNTY NEWS | Posted: Wednesday, August 12, 2015 10:22 am

WASHINGTON COUNTY NEWS

ABINGDON, Va. — Mountain States Health Alliance and Wellmont Health System have scheduled an Aug. 20 community meeting in Abingdon to solicit input as the organizations work together to solve some of the region’s most challenging health issues, as part of the proposed merger.

The meeting will be held at 5:30 p.m. at the Southwest Virginia Higher Education Center in Abingdon. It is one of two community meetings scheduled by the health care systems. The first was set for Aug. 13 at the Tennessee College of Applied Technology in Elizabethton, Tennessee.

The gatherings are part of the previously announced work groups initiative that will focus on four key areas: mental health and addiction; healthy children and families; population health and healthy communities; and research and academics.

More than 100 community members responded to the call for participation through the BecomingBetterTogether.org website, and dozens more were recommended by key stakeholders as valuable participants in the process.

“We are pleased with the sincere interest throughout the region, and we are grateful for these distinguished members of the community who have agreed to lead these work groups,” said Alan Levine, president and CEO of Mountain States.

Eight community leaders have agreed to serve as chairpersons leading the four work groups. They are:

On the mental health and addiction group will be Dr. Teresa Kidd, president and CEO of Frontier Health, and Eric Greene, senior vice president of Virginia services for Frontier Health;

Serving on the healthy children and families group will be Dr. David Wood, chairman of the pediatric department at East Tennessee State University and chief medical officer at Niswonger Children’s Hospital, and Travis Staton, CEO of United Way of Southwest Virginia;

Dr. Randy Wykoff, dean of ETSU’s College of Public Health, and Lori Hamilton, director of healthy initiatives for K-VA-T Food City, will serve on the population health and healthy communities group;
On the research and academics group will be Dr. Wilsie Bishop, vice president for health affairs and chief operating officer at ETSU, and Emory & Henry College President Jake Schrum.

“This is a tremendously talented group of individuals with expertise that spans multiple disciplines and geographic regions,” said Bart Hove, president and CEO of Wellmont. “We are honored to have them on board in this process and will benefit from their broad knowledge and community involvement.”

Those who want to attend a community meeting are asked to RSVP online at BecomingBetterTogether.org. Additional meetings will be scheduled in the coming weeks.
Southwest Va. Health Authority moves Wellmont-MSHA merger application forward

David McGee | Posted: Friday, August 26, 2016 1:02 pm

Southwest Virginia Health Authority meets in Abingdon

The Southwest Virginia Health Authority Friday deemed the merger application of two area health systems as complete. The two hospital systems spoke and answered questions during the meeting in Abingdon, Virginia.

ABINGDON, Va. - The Southwest Virginia Health Authority today deemed the merger application of two area health systems as complete.

That determination came near the end of meeting, during which members of five committees reviewed their findings. That means the proposed merger of Mountain States Health Alliance and Wellmont Health System will go next to Virginia Secretary of Health and Human Resources Bill Hazel.

Today's action will initiate a 20 business day period for written public comment. It also will set a date for a public hearing.

The two systems are seeking formal approval of both Virginia and Tennessee health officials to merge assets including 19 hospitals and many other health care treatment facilities across Northeast Tennessee and Southwest Virginia. They collectively employ about 14,000.
Merger of hospital systems serving far Southwest Virginia, Tennessee advances

By Luanne Rife luanne.rife@roanoke.com 981-3209 | Posted: Friday, August 26, 2016 5:15 pm

The Southwest Virginia Health Authority on Friday advanced a merger plan by two competing hospital systems to the next stage in a special regulatory process.

The public will now have an opportunity to weigh in.

Mountain States Health Alliance and Wellmont Health System in February filed applications with both Tennessee and Virginia to combine their systems. The authority board has pressed for more details to determine if the merger would strangle competition and cause prices to rise, as Virginia’s insurers warn, and if it would result in closures of community hospitals.

Wellmont CEO Bart Hove and Mountain States CEO Alan Levine said they have offered to adhere to price controls and to invest $450 million over the next decade to improve the health of people living in far Southwest Virginia and eastern Tennessee.

They made their case to board members meeting in Abingdon and joining in by phone.

Five of their seven hospitals in Virginia lose revenue, and that will only worsen as the population and inpatient census shrink, Levine said.

“More of our health care dollars will go to sustain two administrations and overhead and less to the bedside,” he said.

With both systems now competing to provide acute care, little is left to build specialty services, mental health services, substance abuse treatment and long-term care, he said.

The Virginia Association of Health Plans opposes the merger while the Virginia Hospital & Healthcare Association supports it.

Lee County officials have asked that the plan include reopening their community’s hospital.

Virginia is using a special process to vet the merger application. The Southwest Virginia Health Authority board had to first review it and determine that it was complete, and in 45 days will host a public meeting to take comments.

Tennessee is using a similar process. The application is still under review there.
Southwest Virginia Health Authority deems merger application complete

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Saturday, August 27, 2016 12:03 am

Hospital Merger 01

The Southwest Virginia Health Authority Friday deemed the merger application of two area health systems as complete. Officials from the two hospital systems spoke and answered questions during the meeting in Abingdon, Virginia.

ABINGDON, Va. — Friday’s affirmative vote by the Southwest Virginia Health Authority is the first formal step for the proposed merger of two area health care systems.

The authority board voted to deem complete a cooperative agreement application submitted by Mountain States Health Alliance and Wellmont Health System. The vote occurred at the end of a 2.5-hour meeting that included about an hour of dialogue with leaders of both systems. It follows nearly six months of review and consultation with health care and legal experts from the University of Virginia.

“I am very comfortable with this process,” state Delegate Terry Kilgore, who is chairman of the authority, said after the meeting. “Could we go on and on with completeness? Yes. Is it 100 percent complete? Are you ever going to get there? It’s complete enough to move forward and this next stage is really important.”

Friday’s vote sets up a formal public comment period, a public hearing and a 75-working days timeline for the authority to decide if it will recommend the merger to Virginia Secretary of Health and Human Service Bill Hazel.
“At the end of those 75 days, we have to make the determination if the advantages outweigh the disadvantages of a merger. For 20 business days from Monday, we will be accepting public written comments,” Kilgore said. “It will also set up a public hearing so people can make an in-person comment to the members of the health authority.”

During the meeting, authority members agreed that issues including the status of the closed hospital in Lee County and which, if any, facilities in Wise County might be repurposed would be key discussion points for this next phase.

“There are a lot of issues out there like what facilities will have acute care? What services will you offer at each facility? And jobs. With declines in the coal industry, some of our hospital jobs are the best paying and they’re among the biggest employers,” Kilgore said.

Mountain States President and CEO Alan Levine said the board’s work is appreciated.

“We’re grateful for the time the people on the Southwest Virginia Health Authority put into this. It took a lot of time — several months — and we’re grateful for the questions they asked because it makes it a stronger application,” Levine said following the vote.

He also acknowledged that much work remains.

“They have a job to do. When you get to a place where you’re trying to make a recommendation, you have to have a set of details you’re recommending to the commissioner. We look forward to working with them to come up with a recommendation that makes sense, that on balance serves the needs of the region but also ensures the proper protections are in place that avoid the negative aspects of elimination of competition,” Levine said.

Consultant Tom Massaro of the University of Virginia called this region “unusual.”

“This is a very unique situation. You’ve got two states involved, a regional authority, two departments of health and the sooner you can get to a position where everyone who deserves to be at the table and discussing what is going on, the better off you will be,” Massaro said. “It doesn’t speak to whether the merger should be approved because you clearly don’t have enough data to know at this point.”

Wellmont President and CEO Bart Hove said health system officials look forward to the next steps.

“There is a lot of work to go. We certainly understand that, not only with the authority here and the health department as well. In the process of the discussion, a lot of new
questions will arise and we’re really looking forward to taking this two-dimensional process — the application on paper — and turning it into a three-dimensional process,” Hove said.

During the meeting, only Kyle Shreve, of the Virginia Association of Health Plans, an insurance lobbying organization, urged the authority to delay its vote.

“At this time, the parties have not provided all the information necessary to deem the application complete,” Shreve said. “Many questions have not been answered fully or the answers given do not provide the requisite level of detail or explanation,” Shreve said.

Levine cited “advantages” a merger would offer area residents.

“I think it’s clear in the application, whether it’s an investment in trying to solve the region’s drug addiction problem or investing more in mental health or millions into research to try and diversify our economy, we think there are tremendous advantages to this application that far outweigh the alternatives,” Levine said. “If the merger is not done, the other alternatives lead to higher prices, loss of jobs and we think what we’ve proposed is a good alternative to that.”

A similar review is under way in Tennessee, where both systems are based and operate their largest hospitals. The next steps in that state’s lengthy public process include a series of public hearings, the first of which is Thursday, Sept. 1 at the Kingsport Renaissance Center.

Additional public comment sessions are scheduled Sept. 29 in Nashville and Oct. 6 at the Slater Center in Bristol, Tennessee.
NASHVILLE — The Tennessee Department of Health (TDH) announced Monday it will hold three public hearings in Northeast Tennessee as part of the Certificate of Public Advantage (COPA) process for the proposed merger of Mountain States Health Alliance and Wellmont Health System.

“These hearings are an opportunity for Tennesseans to weigh in on the future of health care in our state,” TDH Commissioner John Dreyzehner said in a news release. “A proposed merger of systems in Northeast Tennessee and Southwest Virginia is precedent setting and is a big decision for our state. It’s the department’s responsibility by law to ensure the proposal would meet a clear and convincing standard to provide a public benefit to the citizens of this region and ultimately all of Tennessee.”

The public hearing schedule includes meetings in Kingsport, Nashville, Bristol and Johnson City:

• Thursday, Sept. 1
  5:30–7:30 p.m.
  Kingsport Renaissance Center, Room 310
  1200 E. Center St.
• Thursday, Sept. 29
  2–4 p.m. CDT
  William R. Snodgrass Tennessee Tower, Tennessee Room
  312 Rosa L. Parks Ave.
  Nashville
• Thursday, Oct. 6
  5:30–7:30 p.m.
  Slater Center Auditorium
  325 McDowell St.
  Bristol

The public hearing in Johnson City, TDH said, will be held after the COPA application is deemed complete to fulfill state law. That date is to be determined.

For citizens who are not able to attend any of the hearings but want to give input on the proposed merger, they can do so online by visiting http://tn.gov/health/article/certificate-of-public-advantage-how-to-comment.

TDH said it is currently working with Mountain States and Wellmont along with the attorney general’s office to acquire all of the necessary information as required by law to complete the COPA application for review and evaluation.
“This COPA process is important for the citizens of Tennessee, and the department is working diligently to fulfill its responsibilities in a timely manner and to be responsive and transparent throughout this complex process,” Dreyzehner noted.

In the spring of 2015, the Tennessee General Assembly passed legislation that amended Tennessee’s COPA law to allow hospital mergers, which included establishing the department’s role of evaluating and acting on the COPA application as well as establishing the benchmarks the new entity would have to meet to establish clear and convincing evidence of public benefit to the citizens of the region.

Last week, the Southwest Virginia Health Authority voted to deem the Wellmont-Mountain States application in Virginia complete.
Wellmont and Mountain States Announce Name for Proposed Health System

Dear co-workers and physicians,

As you know, we have been engaged in the activities necessary to bring Wellmont and Mountain States together as a new health delivery system. I couldn't be more proud of the work so many people are doing in order to ensure success with this transition. And I'm talking about you.

Each day, you come to work. The first thing you do is you listen. You listen to your patients explain how they feel. You listen to your colleagues when they give you reports. You listen to the sounds of monitors, and you listen when a patient calls. Each day, with each human transaction you engage in, you participate in the story of that person's life.

What a special thing. Which brings me to our region.

Like no other, our region's history is deeply lived through our stories and our music. We never run from challenges; we embrace them, together. Our passion is to understand the unique story of each person's health and well-being and to contribute our part. Together, Wellmont and Mountain States, as a new health system, will prove good health is achievable by truly hearing each person's story, and by listening.

And so, today, I'm privileged to be able to share with you an important decision made last night by our Joint Board Task Force – the group of women and men who will govern our new health system. Defining our culture begins with the name and tag line we attach to ourselves. The name selected reflects the importance of each individual's life story in the provider-patient relationship and the distinct character and heritage of our region.

Once our merger is approved, Mountain States Health Alliance and Wellmont Health System will become Ballad Health. And our tag line will be, "It's your story. We're listening".

This name and associated tag line reflect the culture of our region, and importantly, the culture we wish to have as a new health system. A culture steeped in focusing on the individual stories of our patients and their families. Think about what a privilege this is...each patient trusts us with their most important stories, and we get to be in the front row. There is nothing more important than trust in this relationship.

The new name reflects the input received from over 400 local health care consumers, physicians and team members from both health systems. We found the most important attribute local patients look for in their health care provider is, "listening to patients and including them in healthcare decisions" followed closely by, "provides the best medical results" and, "takes the time to explain things clearly."

Good health is about more than health care; it's about the story of our lives. Recognizing and listening to the unique story of each and every patient will be the hallmark of our new organization. We will give our patients' stories our undivided attention because we cherish the fact that they are sharing them with us.

With a decision on our new name, the logo and other elements that will form our new brand can be developed. These will be released once our merger is finalized. In addition, work continues on developing our mission and vision statements, as well developing a collaborative process for Ballad Health team members to define the new organization's values, which will become our guiding principles.

Our new name is deliberately different, and it is bold. Why? Because we want to be a different kind of health system, building on the promises we made when we embarked on this merger journey.

The proposed merger is currently under review by state officials in both Tennessee and Virginia. We are so grateful for all of the feedback and support we've received during the dozens of public meetings that have taken place to date. I hope you'll join me in celebrating the fact that we can now look forward to becoming better together under our new name, Ballad Health: It's your story. We're listening.

I'd love for you to see a short video we've created to help tell the story of our new name and who we are becoming. It's posted here (https://t.e2ma.net/click/fx8q4f/rm0yol/3z2mnm).
Wellmont Health System and Mountain States Health Alliance announce name for propos...
The proposed merger between Wellmont Health System and Mountain States Health Alliance cleared a Virginia hurdle last Friday, and now it’s the public’s turn to have a say.

The Southwest Virginia Health Authority, meeting in Abingdon, voted to “deem the application complete,” said Del. Terry Kilgore, chairman of the authority. Kilgore said the action was the authority’s “first formal step” in its consideration of the merger.

Beginning today, Sept. 1, the public may submit written comments about the application to the authority. The comment period runs through Sept. 30. The two health systems will then have 10 days to respond. There will also be a public hearing. Eventually, the authority will decide whether it will recommend approval of the merger to Virginia Secretary of Health and Human Resources William Hazel Jr.

The public notice seeking written comments was to be printed in several daily newspapers beginning today.

The proposed merger must be approved by both Tennessee and Virginia. Wellmont and MSHA announced their intentions to merge in April 2015, citing such factors as declining reimbursements and falling patient volumes.

The health authority’s action followed July responses by Wellmont and MSHA to an extensive list of authority questions about the proposed merger’s effect on competition, costs, patient access, facilities, provision of charity services, staffing, medical education programs and finances.

The authority noted in a Tuesday press release that working groups assessed nearly 4,000 pages of information. "Hours and hours of time have been devoted to reviewing this information by the members of the board," said Dr. Sue Cantrell, the board’s vice chairman and head of the Lenowisco Health District.

“The process is just beginning,” added Sen. Bill Carrico, the authority’s secretary. “Considerable work remains to be done, and we hope the public will actively participate in the review process.”

In a statement accompanying their July responses to authority questions, Wellmont and MSHA note that almost 30 percent of the nation’s approximately 2,000 rural hospitals are likely to close in the next two years. “Despite several hundred millions of dollars of capital investment in Southwest Virginia, more than one-third of the rural hospitals operated by Wellmont and Mountain States in Southwest Virginia have operating losses” that are “supported by other hospitals within each of our systems that are increasingly unlikely to be able to continue to do so in the status quo environment,” the statement says.

The two systems’ rural hospitals currently have operating losses of more than $19.5 million, with $11 million of that “directly related” to Southwest Virginia facilities, Mountain States and Wellmont say. The average daily census of the seven Virginia hospitals operated by the two is only 173, “an average occupancy of 33 percent and about the typical census of a single hospital.”

Wellmont and Mountain States also argue that a failure of the merger effort would likely result in an “out of market” system acquiring one or the other, leading to higher prices, job losses and the shutdown of unprofitable services and facilities.
Responding to authority questions, the applicants reiterated their commitment to keeping all hospitals open as clinical and health care facilities for at least five years after the merger — something the two competing systems warn they wouldn’t be able to do if the merger doesn’t happen.

But with Wellmont and MSHA operating three hospitals combined in Wise County, some of that capacity could eventually be used to provide other health care services. Declines in population, inpatient admissions and admissions per capita “make it even more difficult to sustain three stand-alone hospitals, each attempting to serve a broad range of inpatient services,” the applicants say.

Wise County, however, is likely to see new services to make better use of capacity.

“The savings realized from elimination of duplicated services will be able to better support the Virginia hospitals and ensure their survival and will be deployed in supporting investments, services and programs to the benefit of local communities,” the applicants say in a response to an authority question.

Consolidating services and resources will produce “synergies and savings” that will make it possible for the proposed “New Health System” to “expand health care services to meet the unique . . . needs of the population of Southwest Virginia, including residential addiction recovery services, mobile health crisis management teams, intensive outpatient treatment and addiction resources, and pediatric specialty centers,” the applicants say.

Reinvesting savings in community-based services and expanding specialty services could maintain or grow the merged system’s Virginia labor force, Wellmont and MSHA say. “With the exception of Wise County, which has three acute care hospitals, there is little duplication of services in the Virginia communities of the Geographic Service Area. Even in Wise County, where there could possibly be service alignment, the savings generated from the merger will likely allow new services to be added that do not currently exist in the community — thereby creating job opportunities and minimizing any potential negative impact on staffing in Wise.”

The Southwest Virginia Health Authority’s questions and responses by MSHA and Wellmont are available on the authority’s website, www.swvahealthauthority.net.
Hospital systems clear preliminary merger hurdle

Southwest Virginia Health Authority deems merger application complete

*Process ongoing in Tennessee*

Story and photos by Jeff Keeling

Blacksburg, Va. attorney Jeff Mitchell is providing legal counsel for the SVHA during the cooperative agreement process.
ABINGDON, Va. – Mountain States Health Alliance and Wellmont Health System reached a milestone Friday in their effort to gain approval to become one system as the Southwest Virginia Health Authority (SVHA) deemed the hospital systems’ application for a “cooperative agreement” complete.

The unanimous vote – with numerous members abstaining due to conflicts of interest – came six months after the application was filed and nearly 17 months after the systems first announced they wanted to merge. It also followed more than two hours of public comment – including a call from a health insurers’ organization for the SVHA to demand more specifics before deeming the application complete – as well as comments from hospital officials and questions from SVHA board members.

Friday’s action by no means signals the Virginia application is good to go, but rather starts a clock ticking in Virginia – one that could last up to 150 business days, or roughly seven months, and will culminate in Virginia Department of Health Commissioner Dr. Marisa Levine either approving or denying the cooperative agreement. That agreement would govern the merger, and provide a framework for “active supervision” by the state meant to mitigate the disadvantages that would result from reduced competition.

“It is one step in a long process, but it’s a major step for us,” Wellmont CEO Bart Hove said. “It’s really an open door to now get down to a lot of the more detailed hard work … with the Authority to make sure that all of their questions and concerns are answered and addressed and the commitments are fully vetted and spelled out in the application process.”

Tennessee’s Department of Health (TDH) is charged with both deeming complete and ultimately approving or denying a “Certificate of Public Advantage” (COPA) application in that state, and has not yet deemed the systems’ COPA application complete (see section at the end of this story). TDH Commissioner Dr. John Dreyzehner has cited in particular the systems’ failure to yet submit what TDH deems a satisfactory “plan of separation” should the state, post-merger, decide the combined system isn’t providing sufficient benefits to outweigh the disadvantages of reduced competition.

SVHA members had spent several months mulling the initial application and interacting with hospital system officials. In March, they formed five “working groups” centered around major issues related to the proposed merger, and presented MSHA and Wellmont with 68 additional questions following several months of discussion with hospital representatives and internal meetings. The group, which includes representatives from government, health care and
education who live throughout the region, also engaged the services of three healthcare experts, who studied the application and helped explain it in the context of macro trends in health care business and economics.

Friday, board members heard prepared comments from Kyle Shreve, director of policy for the Virginia Association of Health Plans. They heard from Hove and his MSHA counterpart Alan Levine, then spent considerable time questioning Levine about the proposed merger and its effects on hospitals, health care professionals and health care consumers in Virginia. And they heard from two of the health care experts, both of whom said that despite the need for additional information and clarity prior to actual merger approval, they believed the application had sufficient detail and heft for the process to move forward.

VAHP’s Shreve presented a multi-point argument (that was also written) against moving the application forward. “Many questions have not been answered fully, or the answers given do not provide the requisite level of detail or explanation,” Shreve said.

VAHP’s top concern was what it said was inadequate measures to address potential harm to competition. The comments referenced what VAHP said would be a 90 percent-plus market share in most cases, which it said, “will result in very likely anticompetitive harm.”

The remarks also mentioned “vague and illusory benefits,” commitments to report rather than achieve outcomes, and insufficient information on the proposed scoring system the state would use to determine how well the merger is meeting its objectives. The final primary concern was a claimed failure by the systems to identify specific efficiencies.

Following Shreve, Hove and Levine spoke, with Levine laying out the same case he has for nearly two years about the benefits a regional merger could bring. His primary argument centered around the decreasing number of inpatient admissions per 1,000 population nationally, how that trend is likely to impact this area even more acutely because its hospitalization rates are higher than average, and how stagnant population growth here simply compounds those factors.

Those things combined, Levine said, make the systems’ current situation unsustainable, and he argued that absorption of one or the other, or both, by outside systems wouldn’t solve the problem of costly duplication of services, or allow for efficiencies.
SVHA members’ questions centered around potential detrimental effects in Virginia, where, by Levine’s own admission, most of the MSHA-owned hospitals lose money and are subsidized by other MSHA hospitals that are making better margins. Members have asked repeatedly about commitments in the agreement to keep all hospitals open in some health care capacity for at least five years, and to predicate any major changes in services on some form of approval by local boards.

That proposed commitment, Levine said, should actually leave Southwest Virginia’s rural hospitals with a greater chance of continuing to serve their communities than where things stand today. He pointed to trends in health care payment reform and other indicators suggesting that inpatient volumes are going to continue to decline, making it more difficult for systems to continue subsidizing rural hospitals that are struggling to keep from losing even more money as care shifts to a more outpatient-centered model.

Currently, Levine said, MSHA and Wellmont are not nearly as obligated to keep struggling rural hospitals open – the 2014 closure of Wellmont’s Lee County, Va. hospital serving as a prime example.

“SVHA board member Dr. Dixie Tooke-Rawlins listens during the Aug. 26 meeting.

“I know and I understand – we’ve talked a couple times about what’s happening in health care today,” SVHA board member Dixie Tooke-Rawlins said near the end of Levine’s presentation. “But what’s happening in health care in Southwest Virginia is our concern. We recognize that hospitals are at risk here. We’re really all about a plan to still provide services in the community. In general it was good to hear you say, ‘these are the services we want to have in the community,’ so we know the repurposing is robust.”

Levine said the systems’ ability to “continue to cross-subsidize these types of things becomes more difficult” as volumes decline at the more successful hospitals. “That’s why eliminating duplicative overhead between Mountain States and Wellmont and gaining the synergies from there, and eliminating redundancies in services where it’s not necessary generates the synergies that enables us to continue to do those things (support rural services, for instance). That’s why we made the commitment to continue sustaining these enterprises for at least five years as health care enterprises.”

“I ask you to look at this incrementally,” Levine continued. “What is the state of affairs in Southwest Virginia if there’s no merger, and what are the possible consequences of that decision, and what are the consequences of the decision if there’s a regulated merger where we have a partnership with the Southwest Virginia Health Authority and a
regulatory structure in place within the Commonwealth of Virginia to make sure that we aren’t hiking prices up because of the merger and that we aren’t letting quality decline because of the merger?

“Those are the fundamental issues that any antitrust authority should be concerned about.”

Dr. Thomas Massaro, one of three healthcare experts who has aided the authority in its work, speaks at the meeting.

Along with SVHA’s attorney, Jeff Mitchell, Dr. Thomas Massaro, one of the healthcare experts, said it wasn’t necessary for SVHA members to have enough clarity on all the issues to recommend approval or denial of the merger. That could come later, he said.

“From my perspective and I think from all three of our perspectives, this is a very unique situation,” Massaro said. “You’ve got two states involved, you’ve got a regional authority, you’ve got two departments of health, and the sooner that you can get to the position where everyone who deserves to be at the table is at the table and discussing what’s going on, the better off you’ll be.”

Voting to deem the application complete, Massaro said, “doesn’t speak to whether in fact the merger should be approved, because you clearly do not have enough data to know at this point whether it should be approved. The question is whether you can get closer to that information moving toward a collaborative and interactive model (among the entities considering its approval) once the application is deemed complete.”

Wellmont’s Hove said the systems appreciated the experts involvement in the initial step.

“We appreciated the fact that they also commented, saying, ‘we studied this application and based upon the material and information we have, we realize and understand why the merger is being proposed and the approach taken in Southwest Virginia is what it is.’ Because health care is getting to be a very complex, complicated, regulated and financially oppressed business. It is multifactorial, especially when you try to weave in population health and some of the other great needs that we have in the area.”

Before authority members even left the meeting room Friday, they had begun arranging follow up meetings with hospital system representatives and some of the work groups, “to be present to have some of those negotiations and discussions in their respective areas,” Hove said.

Meanwhile in Tennessee…
While Friday’s decision started the clock ticking in Virginia, the Tennessee Department of Health (TDH) continues to wait on a different version of a “plan of separation” from the systems before it will deem the COPA application complete.

TDH also has scheduled additional public hearings on the COPA. One was held in Kingsport Sept. 1, and others are scheduled for Nashville (Sept. 29) and Bristol (Oct. 6). Additionally, the agency has been meeting with consultants, which may prompt yet more questions or requests for clarification.

According to TDH, a public hearing in Johnson City will be held after the application is deemed complete. The public also will be allowed to submit comments on whether the COPA should be granted for 60 days after the application is deemed complete. Tennessee’s process calls for a 120-day review period after the COPA is deemed complete and before a final ruling is issued. TDH and the state attorney general’s office both are involved in the review process.

An Aug. 17 letter from TDH Commissioner Dr. John Dreyzehner to the CEOs of the Johnson City, Kingsport and Bristol chambers of commerce provides an instructive encapsulation of where TDH is in the process. As previously reported in News & Neighbor, the CEOs had urged in a letter to Dreyzehner dated July 20 that TDH, “work with the two health systems to bring the merger to a conclusion rapidly.”

Though he also wrote that the department is “committed to moving as quickly as possible to complete this evaluation process,” Dreyzehner also noted that unlike Virginia’s decision, which involves a statute applying only to Southwest Virginia, “this COPA application will set precedence for the entire State of Tennessee.”

Dreyzehner also wrote: “(T)he best interests of the citizens of Tennessee require that we not only perform our work timely but also with a full and complete application and a robust understanding of its implications so we can make the best possible decision for the people of Tennessee.”
KINGSPORT — Most speakers at a Thursday night Renaissance Center public hearing on the planned Wellmont-Mountain States Health Alliance merger had a clear message for the Tennessee Department of Health (TDH): Let’s get this deal done.

TDH Commissioner John Dreyzehner noted the Certificate of Public Advantage application to get the merger done between the two hospital systems remains under review.

“It’s a big decision for this region and for Tennessee,” Dreyzehner said at the outset of the hearing. “It’s the department’s responsibility by law to make sure the proposal meets clear and convincing standards to provide a public benefit for the citizens of this region.”

Aside from states’ approval, it remains unclear if the merger would be contested by the Federal Trade Commission.

Those speaking for the merger at the hearing included Tennessee GOP state Reps. Jon Lundberg and Bud Hulsey, the administrators of both Holston Valley Medical Center and Indian Path Medical Center, a spokesman for Eastman Chemical Co., Kingsport Vice Mayor Mike McIntire, Ted Fields of the Wellmont Foundation, Johnson City/Jonesborough/Washington County Chamber of Commerce President and CEO Gary Mabrey and Aundrea Wilcox representing the Kingsport Chamber of Commerce.

“Mountain States and Wellmont have made it clear if they are not able to merge with each other, they may merge with other larger systems outside the region,” said Clark Jordan, vice president and assistant general counsel at Eastman.

Speaking against the merger was disabled resident Jeff Altom, who suggested the trauma center at Holston Valley would be going away.

“All the patients coming out of Virginia stop at Holston Valley, be stabilized and then are sent on,” he said. ” ... If this does happen, there is going to be a bunch of specialists leave.”

Todd Norris, Wellmont’s senior vice president of system advancement and president of the Wellmont Foundation, said the merged system’s commitment is to increase specialty access.

“We don’t have any reason to believe there will be reduced specialty coverage,” Norris pointed out.

The merger’s Virginia cooperative agreement application was deemed complete last week by the Southwest Virginia Health Authority, chaired by Delegate Terry Kilgore, R-Gate City.
In mid-August, Dreyzehner responded to a letter from Tri-Cities chamber of commerce executives who apparently want to see the merger advance faster.

“We at the Department of Health understand the feelings that you express in your letter regarding your ‘strong wish that the process advance...,’” he said in his response. “Immediately upon receipt of an incomplete Certificate of Public Advantage (COPA) application on February 16, 2016, we began our internal review process and our public meeting process. Our initial hope was that the June 7, 2016, public hearing would take place subsequent to our having deemed the application complete and would fulfill the statutory public hearing requirement; unfortunately, we cannot fulfill that requirement until at least 50 days after the application has been deemed complete.”

Dreyzehner also said responses to the department’s questions have to be reviewed, and he also pointed out his department still hadn’t received a “plan of separation” crucial to the COPA process.

He added the mergers that have occurred have been between individual hospitals, with none involving two large health care systems.

“Additionally, there never before has been a COPA application in Tennessee,” he said. “Thus, we are in completely new territory here and every step we take is one we haven’t taken before.”
Public comment period underway in Virginia on hospital merger plan

Abingdon, VA (WJHL) — A period of public comment is now underway in Virginia on the proposed merger of the region’s two hospital systems.

The Southwest Virginia Health Authority issued a public notice today that it’s received a completed merger announcement for Mountain States Health Alliance and Wellmont Health System. That starts the clock on a month-long public comment period in Virginia ending September 30th. The Authority voted to declare the application complete on August 26th.

This public notice starts the clock on a 30 day public comment period on the MSHA Wellmont merger application in Virginia.

The Tennessee Department of Health has yet to rule the application complete.

MSHA and Wellmont have to win approval from state boards in Virginia and Tennessee before they can combine the region’s two main hospital systems into one new company.
Comments can be submitted in writing to:

Southwest Virginia Healthy Authority
851 French Moore Jr. Boulevard
Suite 178
Abingdon, Virginia 24210

The Authority has 75 days to consider the application. No date has been set for a vote or for a public meeting on the Virginia merger application, a spokesman for the Authority said Thursday.
To be used with every Letter to the editor

The first formal step for the merger between Wellmont and Mountain States Health Alliance was approved by the Southwest Virginia Health Authority on Aug. 26. The next step will be formal public hearings and written comments. They started accepting written comments beginning Aug. 27 for a period of 20 business days, and public hearings will be held Sept. 29 and Oct. 6.

If this merger is completed a monopoly will exist covering large segments of health care in Upper-East TN. and Southwest VA. How were two “so called” non-profits able to acquire the resources to buy out their competitors when they were competing with each other? Prior to this proposed merger, very little financial information was made public and that information had to be accepted at face value.

MSHA, in their Consolidated Statement of Operations covering the previous five years, shows an average profit of $57.1 million dollars per year. I suspect Wellmont's profits aren't as large as MSHAs, but still are substantial. If they are able to generate these profits with competition, what should we expect without competition? Historically monopolies are created to generate more profit by raising prices. Will there be any means to prevent this from occurring if this monopoly is approved?

One of the consultants to the SVHA concluded the most important question to ask is would the merger be “a better option for the people of Southwest Virginia than continuing with the present market-based approach.” The SVHA has already reached the decision that it will regardless of any questions the public may ask.
Wellmont, MSHA merger in public comment phase in Virginia

STEPHEN IGO • SEP 3, 2016 AT 2:00 PM sigo@timesnews.net

ABINGDON — The public comment period is now open in Virginia for the proposed merger between Wellmont Health System and Mountain States Health Alliance.

On Aug. 26, the Southwest Virginia Health Authority (SVHA) deemed the Wellmont/MSHA merger application complete, triggering a public comment phase that began Thursday and ends Sept. 30.

“We have taken the first formal step in our consideration of the proposed hospital merger,” said state Delegate Terry Kilgore, R-Gate City, chairman of the SVHA. “After six months of consideration, the authority voted (Aug. 26) to deem the application complete as required by the Code of Virginia. We have now officially received the application, and we look forward to the next steps in the process.”

Wellmont and MSHA submitted their Virginia application authorizing cooperative agreement to the SVHA on Feb. 16. The application is available on the authority’s website at www.swvahealthauthority.net. The SVHA Board of Directors formed several working groups to focus on five aspects of the application including access, cost, population health, quality and competition. The working groups held a dozen meetings and produced more than 60 questions submitted to the applicants on May 27, and MSHA responded on July 13 as well as submitted additional responses on July 25.

SVHA Vice Chair Dr. Sue Cantrell, executive director of the Lenowisco Health District, said the application review for completeness included assessing more than 4,000 pages of information.

“Hours and hours of time have been devoted to reviewing this information by the members of the board. We appreciate the time already devoted to this process,” Cantrell said.

State Sen. Bill Carrico, R-Grayson, said the board’s decision to accept the application as complete “is just the beginning. Considerable work remains to be done, and we hope the public will actively participate in the review process.” Carrico serves as SVHA secretary.

Public notice announcing the written public comment period was first published Thursday in the Kingsport Times-News as well as the Bluefield Daily Telegraph, the Virginia Mountaineer and the Bristol Herald Courier. Once the public comment period ends on Sept. 30, the applicants will have 10 days to respond to the written comments.

For more information about the process, the application, additional information provided by the applicants and or the process schedule, visit the authority website.
Public invited to COPA hearings regarding Wellmont merger - The Rogersville Review: Business

Public invited to COPA hearings regarding Wellmont merger

By Staff report | Posted: Tuesday, September 6, 2016 9:48 am

NASHVILLE—The Tennessee Department of Health is in the process of holding three public hearings as part of the Certificate of Public Advantage (COPA) process for the proposed merger of Mountain States Health Alliance and Wellmont Health System.

Wellmont Health System is the operating company of Hawkins County Memorial and Hancock County Hospitals in Rogersville and Sneedville.

“These hearings are an opportunity for Tennesseans to weigh in on the future of health care in our state,” Dreyzehner said. “A proposed merger of systems in Northeast Tennessee and Southwest Virginia is precedent setting and is a big decision for our state. It’s the department’s responsibility by law to ensure the proposal would meet a clear and convincing standard to provide a public benefit to the citizens of this region and ultimately all of Tennessee.”

The first public hearing was held in Kingsport on September 1. Others scheduled include meetings in Nashville, Bristol and Johnson City as follows:

**Thursday, September 29**

2-4 p.m. CDT

William R. Snodgrass Tennessee Tower, Tennessee Room

312 Rosa L. Parks Avenue

Nashville, TN 37243

**Thursday, October 6**

5:30 – 7:30 p.m. EDT

Slater Center Auditorium

325 McDowell Street
Bristol, TN 37620

The public hearing in Johnson City will be held after the COPA application is deemed complete to fulfill state law. That date is currently to be determined.

For citizens unable to attend any of the hearings but want to give input on the proposed merger, they can do so online by visiting http://tn.gov/health/article/certificate-of-public-advantage-how-to-comment.

The department is currently working with Mountain States and Wellmont along with the attorney general’s office to acquire all of the necessary information as required by law to complete the COPA application for review and evaluation. Also as part of the COPA process, the department is determining what a detailed index should look like in providing the preventative approach and healthier outcomes the COPA will require.

“This COPA process is important for the citizens of Tennessee, and the department is working diligently to fulfill its responsibilities in a timely manner and to be responsive and transparent throughout this complex process,” Dreyzehner continued.

In the spring of 2015, the Tennessee General Assembly passed legislation that amended Tennessee’s COPA law to allow hospital mergers, which included establishing the department’s role of evaluating and acting on the COPA application as well as establishing the benchmarks the new entity would have to meet to establish clear and convincing evidence of public benefit to the citizens of the region.

A timeline of the process to date is available on TDH’s website at http://tn.gov/health/article/certificate-of-public-advantage-application-proceedings.
Keep local control of health care system
As a business owner in the community, a personal and professional supporter of the Wellmont Cancer Center, and most of all a resident of the Tri-Cities, I just want to say that plain talk is easily understood. Perhaps the team approach has been forgotten when it comes to health care and health care facilities in our community. Together, everyone accomplishes more. Many of us spent an untold number of hours, money and efforts to make Bristol, Kingsport and Johnson City medical facilities a reality and Wellmont Health System and Mountain States Health Alliance icons in the Tri-Cities. While times have changed, needs vary, and most of all the health care system itself has evolved into something none of us would have ever imagined. The one thing which hasn’t changed: it’s still our community.

Each area in the Tri-Cities has medical facilities to be proud of, no matter whether they are in Wellmont Health System or the Mountain States Health Alliance, as do the surrounding areas in Southwest Virginia and East Tennessee. The one common thread is that they are community-based and serve each of us to the best of their ability. Could things be better, could they be different? Sure. No one individual or group can solve all the problems. But working together as a community, we’ll come a lot closer to accomplishing that sometimes impossible goal. Would all the problems go away? Probably not. However, working together we can retain local control of our health care community. What is in the best interest of the community, its residents and its employers? Do you want something other than local control?

Frank Leonard

Bristol, Va.
A ‘TEAM’ approach is needed for local health care service

Let’s do what’s best for our community and forget about ego. As a business owner in the community, a personal and professional supporter of the Wellmont Cancer Center and most of all a citizen of the Tri-Cities, I just want to say: “Plain talk is easily understood.”

Many of us spent an untold number of hours, money and efforts to make the Bristol, Kingsport and Johnson City medical facilities a reality and Wellmont Health System and Mountain States Health Alliance icons in the Tri-Cities. Perhaps the TEAM (Together Everyone Accomplishes More) approach has been forgotten when it comes to health care and health care facilities in our community.

While times have changed, needs vary and most of all the health care system itself has evolved into something none of us would have ever imagined, the one thing which hasn’t changed is it’s still our community.

Each area in the Tri-Cities and the surrounding areas in Southwest Virginia and East Tennessee has medical facilities to be proud of — no matter whether it’s Wellmont or Mountain States. The one common thread is that they are community-based and serve each of us to the best of their ability.

Could things be better, could they be different? Sure. No individual or group can solve all the problems, but collectively working together as a community, we’ll come a lot closer to accomplishing that sometimes impossible goal.

Would all the problems go away. Probably not, however, working together locally for the betterment of our community and for the citizens, we can retain local control of our health care community.

Ask yourself, what is in the best interest of the local community, its citizens, and its employers — do you want something other than local control on your conscience?

FRANK LEONARD
Bristol, Va.
Wellmont/MSHA merger would form Ballad Health if approved

ROBERT SORRELL | BRISTOL HERALD COURIER | Posted: Wednesday, September 14, 2016 7:50 pm

The region’s knack for sharing stories will play a key role in Ballad Health, the name of the company that would result from the proposed merger of Mountain States Health Alliance and Wellmont Health System.

The CEOs of both systems, Alan Levine of MSHA and Bart Hove of Wellmont, shared the news Wednesday with employees and the community. The joint board task force, which is comprised of representatives from both systems’ boards, approved the new name on Tuesday.

In an ongoing effort to remain transparent through the merger process, Levine said it was determined to share the proposed name, as well as the new tag line, “It’s your story. We’re listening.”

The states of Tennessee and Virginia have not yet approved the merger, which was announced in 2015.

The joint task force worked with branding experts, its own marketing team and reviewed input from community surveys in creating the new name, which is part of developing and defining the culture for the proposed company, Levine said.

Task force members also considered the culture of Northeast Tennessee and Southwest Virginia and the storytelling and music history here, he said.

Hove said consultants likely considered many names and slogans for the new company, but Ballad Health was the obvious choice. He added that there was no reason not to share the name even if the merger hasn’t been approved.

“We feel it really tells the story,” Hove said.

The two CEOs shared the news with employees in a joint letter.

“Each day, you come to work,” the CEOs wrote in the letter. “The first thing you do is you listen. You listen to your patients explain how they feel. You listen to your colleagues when they give you reports. You listen to the sounds of monitors, and you listen when a patient calls. Each day, with each human transaction you engage in, you participate in the story of that person’s life.”
The letter continues, “Like no other, our region’s history is deeply lived through our stories and our music. We never run from challenges; we embrace them, together. Our passion is to understand the unique story of each person’s health and well-being and to contribute our part. Together, Wellmont and Mountain States, as a new health system, will prove good health is achievable by truly hearing each person’s story, and by listening.”

The word ‘ballad’ is a kind of poem or song that tells a story, according to Webster Dictionary.

“From the point a patient walks into the hospital, we listen,” Levine said.

The letter states, “Think about what a privilege this is, each patient trusts us with their most important stories, and we get to be in the front row. There is nothing more important than trust in this relationship.”

Levine and Hove said they found that the most important attribute local patients look for in their health care provider is, listening to patients and including them in health care decisions followed closely by providing the best medical results and taking time to explain things clearly.”

With the name approved by the board, a new logo and other elements can be developed, Levine said. Additional elements of the brand will be released if the merger is finalized.

Work continues on developing a mission and vision statements, the CEOs said, as well as developing a collaborative process for Ballad Health team members to define the new organization’s values.

The proposed merger, which would combine 19 hospitals, is currently under review by state officials in both Tennessee and Virginia. The Southwest Virginia Health Authority deemed the merger application complete in August and forwarded it to the state’s health and human resources commissioner for review.

In Tennessee, the state department of health has not yet approved a certificate of public advantage for the merger.
Yes, Virginia, Richmond still has merger questions

By NN Assistant on September 14, 2016 Editorial

By Jeff Keeling

If leaders at Mountain States Health Alliance and Wellmont Health System thought they’d largely be through answering questions about their proposed merger on the Virginia side of the state line once their “cooperative agreement” application was deemed complete, as “The Office” character Dwight Shrute might say: “False.”

To be frank, those leaders probably didn’t imagine for a moment they’d face no further questions after the Southwest Virginia Health Authority determined it had enough information to send the application to Richmond, which it did determine Aug. 26. By that time, a “request for additional information” (the systems are getting used to these things) from the Virginia Department of Health’s Erik Bodin had been in the systems’ hands for more than two weeks.

While that fact may elicit weary sighs as the hospital folks head back to their data yet again and watch the merger-related legal fees rise some more, it should comfort the region’s healthcare consumers. As the merger application process has unfolded, nothing has changed my opinion that if a merger is approved, it should follow an exhaustive review process. Should that review find the benefits of a merger outweigh its anti-competitive effects (still a big ‘if’ in my book), both Virginia and Tennessee should have the framework for a robustly regulated cooperative agreement (Virginia) and Certificate of Public Advantage (Tennessee).

The hospital systems’ leaders have argued since they submitted their applications in February that they had crafted a top-notch framework for a regulated monopoly – one that would benefit the region in health, economics and quality of life. Time and again since then, those tasked with judging the application have probed with questions and comments. Those inquiries, I believe, have been designed to help create a final product that leaves the states confident that consumers and others affected – including independent healthcare practices and third-party payers – gain more than they lose from such a massive change.

The questions sent by Bodin (you can read them at bjournal.com/vdh080916) uphold the pattern. They are often Virginia-centric, with questions such as, “Why are there no plans for locating tertiary services in a Virginia hospital or other facility within the merged system?” There is also this one: “If there is any intention to remove or consolidate services over the five-year forecast period at any Virginia facility, please detail and justify those intentions.”

Those concerns are accompanied by pointed questions about pricing, and an interesting section that suggests concern about prior use by MSHA of certificate of need laws to prevent competition: “Provide all documents relating to the opposition mounted by MSHA to prevent (Wellmont) from constructing a new hospital facility and emergency room in Washington County where MSHA operates its Johnson City hospital.”

Another great question asks how the systems plan to use the “labor efficiencies” that a merger will produce, “so that the merged system has a vibrant, well-trained and committed workforce that is satisfied with pay rates and benefits?”

The regulators have been asking a lot of good questions. I don’t question the hospital system leadership’s good intentions, but with the stakes as high as they are – and recognizing that without strong governors in place, a large, powerful entity is almost certain to sometimes act in its own best interest even when the good of the whole would suggest a different course of action – putting that proposal to the test is critical.
A question on page 11 of Bodin’s Aug. 9 document kind of sums it up: “How will the merged system provide information to governmental oversight officials and programs in both states so that the model of merger allows a complete portrayal of operations so sufficient oversight is maintained and federal antitrust laws will not be the basis of a legal challenge?”

I suspect we’ll all know how well such questions have been answered by the time major league baseball spring training is over next year.
The proposed merger of Mountain States Health Alliance and Wellmont Health System is waiting on regulators’ approval, but the Joint Board Task Force isn’t waiting on a name and tag line: Ballad Health. It’s your story. We’re listening.

On Wednesday, Bart Hove, CEO of Wellmont, and Alan Levine, CEO of Mountain States, spoke about the underlying meaning of the Ballad Health name and how it was chosen. “We actually engaged an independent consulting firm to help us establish what would be best served with the merged organization going forward in the essence of kicking off our new entity and our new identity,” Hove said.

Monigle Associates Inc., an independent branding firm based in Colorado, was hired by the healthcare systems to select the name. Monigle has previously worked with brands such as CenturyLink, Bank of America and AT&T.

Before making the selection, Hove said the consulting firm interviewed the public and each institution’s staff and management.

“Hundreds of interviews were conducted all across our community and our region to ultimately congeal that into the recommended name,” Hove said.

“I’m sure they surveyed several hundreds of names. But when they pitched it to us, it hit such a home run that there was no reason to go further with exploring any other opportunities.”

Neither Levine or Hove knew the exact amount charged by the consulting firm.

Levine said the name matches the culture in the region and the two healthcare systems.

“When you look at our region and you look at the culture here. It is so deeply rooted in the stories of so many people. There are so many things about the history of this region that are so rich and powerful,” Levine said. “And we wanted the name of the system to capture that and combine that with what our people do everyday. From the minute a patient walks into a doctor’s office or a hospital, the one thing they want is for someone to listen to them ... We felt we had a powerful story to tell about ourselves. The name and tagline sets a tone for the culture of the organization we want to be.”

Levine said Ballad Health’s logo would likely be unveiled before January, but it’s still in the design stage. “We’re going to take our time. The first step is to establish the name and the culture. From there, we have a design team that will be working on the logo. We’ll be getting input from our staff and the community,” Levine said.

The Southwest Virginia Hospital Authority has already ruled the merger’s application complete in Virginia, but Mountain States and Wellmont is still awaiting the Department of Health to deem its certificate of public advantage application complete in Tennessee.
Hove gave a few reasons for the decision to announce its new identity before the merger was approved.

“It’s a step-wise process. What we don’t want to do is be secretive. So if that work had been done and completed, we thought it was the right thing to do is go ahead and share that,” Hove said.

“We know that the state of Tennessee is still evaluating the application we submitted to them. There is still discussion and dialogue going on with them, but we didn’t think this would necessarily interfere with that process.”
KINGSPORT — Ballad Health will be the new name of the health care system created by the planned merger between Mountain States Health Alliance and Wellmont Health System, the two systems announced on Wednesday.

“It’s your story. We’re listening,” a release said of the new name.

This message was sent to team members of both health systems from CEOs Alan Levine of MSHA and Bart Hove of Wellmont: “As you know, we have been engaged in the activities necessary to bring Wellmont and Mountain States together as a new health delivery system. I couldn’t be more proud of the work so many people are doing in order to ensure success with this transition. And I’m talking about you.

“Each day, you come to work. The first thing you do is you listen. You listen to your patients explain how they feel. You listen to your colleagues when they give you reports. You listen to the sounds of monitors, and you listen when a patient calls. Each day, with each human transaction you engage in, you participate in the story of that person’s life.

“What a special thing. Which brings me to our region.

“Like no other, our region’s history is deeply lived through our stories and our music. We never run from challenges; we embrace them, together. Our passion is to understand the unique story of each person’s health and well-being and to contribute our part. Together, Wellmont and Mountain States, as a new health system, will prove good health is achievable by truly hearing each person’s story, and by listening.

“And so, today, I’m privileged to be able to share with you an important decision made last night by our Joint Board Task Force — the group of women and men who will govern our new health system. Defining our culture begins with the name and tag line we attach to ourselves. The name selected reflects the importance of each individual’s life story in the provider-patient relationship and the distinct character and heritage of our region.

“This name and associated tag line reflect the culture of our region, and importantly, the culture we wish to have as a new health system. A culture steeped in focusing on the individual stories of our patients and their families. Think about what a privilege this is. ... Each patient trusts us with their most important stories, and we get to be in the front row. There is nothing more important than trust in this relationship.

“The new name reflects the input received from over 400 local health care consumers, physicians and team members from both health systems. We found the most important attribute local patients look for in their health care provider is, ‘listening to patients and including them in health care decisions’ followed closely by, ‘provides the best medical results’ and, ‘takes the time to explain things clearly.’

“With a decision on our new name, the logo and other elements that will form our new brand can be developed. These will be released once our merger is finalized. ... Our new name is deliberately different, and it is bold. Why? Because we want to be a different kind of health system, building on the promises we made when we embarked on this merger journey.”

The proposed merger is currently under review by state officials in both Tennessee and Virginia.
Johnson City, Tenn.-based Mountain States Health Alliance executives revealed the name of the new health system created through its merger with Kingsport, Tenn.-based Wellmont Health System, pending state approval of the merger.

Alan Levine, president and CEO of Mountain States, sent a letter to employees of the health system explaining the health system's next steps.

In the letter, Mr. Levine said once the merger is approved and finalized, the proposed name for the new health system will be Ballad Health. The logo and other elements regarding the name will be released once the transaction is official.

Mr. Levine said the name Ballad Health represents the system's move to become a "different kind of health system," according to the letter.

The merger is currently under review by state officials in Tennessee and Virginia.

More articles on transactions and valuations:
MD Anderson Cancer Center to partner with Lourdes Hospital
Dickinson Center, Journey Health System to affiliate
Lehigh Valley, Schuylkill continue with merger plans

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Health

Applications deemed complete in proposed Wellmont/MSHA merger

By: News Staff

Posted: Sep 15, 2016 05:25 PM EDT

Updated: Sep 15, 2016 05:25 PM EDT

The planned merger of the region's hospital systems has reached another milestone. The applications to merge have been deemed complete now in both Tennessee and Virginia.

Now, each state's regulators will determine whether they approve or reject the merger of Wellmont Health System and Mountain States Health Alliance.

The planned merger must demonstrate that benefits would outweigh the disadvantage of less competition.

Regulators are seeking to see benefits that would include improvement in health care outcomes, costs and access.

WCYB
HOSPITAL MERGER

Ballad Health: MSHA/Wellmont merger application complete in Tennessee

JOHNSON CITY PRESS • UPDATED SEP 15, 2016 AT 5:20 PM

Will Tennessee allow Ballad Health to happen?

The answer could come within four months.

The state application for Mountain States Health Alliance and Wellmont Health System to merge into a single health care system has been completed, the Tennessee Department of Health announced Thursday. On Sept. 9, the two systems submitted the final documents necessary for garnering a Certificate of Public Advantage for the merger.

The announcement said the last significant piece of information the state needed to deem the application complete was a plan for separation in the event the merged system fails. The state requested the information March 28 after an initial COPA filing on Feb. 16.

The department had asked the systems for more information about such issues as finances, public impact, competition and workforce consequences.

“We appreciate the work of Mountain States and Wellmont to provide the necessary information to finalize the merger application,” Health Commissioner John Dreyzehner said in the announcement. “Receiving this information is an important step in the COPA application and review process, and now that the application is complete, we will carefully review the proposal to determine whether it ultimately provides a public benefit to Tennesseans.”

On Wednesday, MSHA and Wellmont announced they had settled on a name for the proposed merged entity — Ballad Health. Both Tennessee and Virginia would have to approve the merger for Ballad to become reality. Now that the Tennessee application is complete, the Department of Health has 120 days to review and determine whether the proposal would be to the overall public benefit to the people of Northeast Tennessee.

By state law, the department has to determine whether the merger would outweigh by clear and convincing evidence any disadvantages caused by a potential reduction in competition in the region.

Department officials will have more questions and likely will request additional information as the COPA process continues, according to Thursday’s announcement.

“(The Department of Health) will continue to work closely with the Attorney General and his team throughout this review process and appreciates the expertise and insight they bring to what is a complex and important process,” the announcement said. “The department is currently developing an index that details a preventive approach to care and healthier outcomes that the COPA will require. Recommendations developed this spring by the COPA Index Advisory Group after a series of regional listening sessions will be used to help develop the index.”

The department has planned a series of public hearings to allow residents to provide comments and suggestions. The public is invited to provide written comments on the application through the department’s website until Nov. 15.
Additional public hearings are scheduled in Nashville on Sept. 29 and Bristol on Oct. 6. A third hearing will take place in Johnson City, but that date had not been posted as of Thursday. Instructions for sharing comments on the COPA process are available at http://tn.gov/health/article/certificate-of-public-advantage-how-to-comment.

Should regulatory approval be granted, the merged system would operate 19 hospitals, dominating the inpatient care system locally, and is expected to reach $2 billion in annual revenues in two years, according to a budget included in the applications.
NASHVILLE — Tennessee Department of Health (TDH) Commissioner John Dreyzehner, in consultation with state Attorney General Herbert H. Slatery III, announced Thursday the Certificate of Public Advantage (COPA) merger application from Mountain States Health Alliance and Wellmont Health System is now complete.

TDH said the last significant piece of information necessary to deem the application complete was a plan of separation proposing steps to be taken if key benchmarks are not met and the COPA, if granted, would have to be terminated. The applicants submitted their plan of separation last Friday.

“We appreciate the work of Mountain States and Wellmont to provide the necessary information to finalize the merger application,” Dreyzehner said in a news release. “Receiving this information is an important step in the COPA application and review process, and now that the application is complete, we will carefully review the proposal to determine whether it ultimately provides a public benefit to Tennesseans.”

TDH is charged with determining whether the likely benefits of the proposed merger would outweigh by clear and convincing evidence any disadvantages caused by a potential reduction in competition in the region. The Federal Trade Commission is expected to consider those factors as well. TDH determined those benefits include improvements in health outcomes, health care costs and access to services in the region. The department has 120 days to carefully review and determine if the application meets this clear and convincing standard that the proposed merger between the two systems will provide an overall public benefit to the people of Northeast Tennessee.

The merger application is also considered complete in Virginia.

While the application has been deemed complete in Tennessee, TDH said it will have more detailed questions and will likely need to request additional information from the parties as the COPA process continues. TDH said it is currently developing an index that details a preventive approach to care and healthier outcomes the COPA will require. The department is holding a series of public hearings to allow citizens to provide comments and suggestions.

“Having conversations now about regional health, standards of care, accessibility and affordability of services will help shape Tennessee’s future health care delivery systems,” Dreyzehner said.

The public is invited to provide written comments on the application through the department’s website until Nov. 15. Additional public hearings are scheduled in Nashville, Bristol and Johnson City. Find the meeting schedule and location information, along with instructions for sharing comments on the COPA process at http://tn.gov/health/article/certificate-of-public-advantage-how-to-comment.
MSHA, Wellmont merger application ruled complete in Tennessee

Courtesy of MSHA/WELLMONT

Nashville, TN (WJHL) — Seven months after it was filed, Mountain States Health Alliance and Wellmont Health System’s merger application has been ruled complete in Tennessee.

The announcement came Thursday afternoon from Tennessee Department of Health Commissioner John Dreyzehner who said they made the decision to declare the application complete in consultation with Tennessee Attorney General Herb Slatery.

The announcement starts the clock on a 120-day review period during which time the Tennessee Department of Health will “determine if the application meets this clear and convincing standard that the proposed merger between the two systems will provide an overall public benefit to the people of northeast Tennessee,” the department said.

That means the earliest the merger could win state approval would be in January. A similar review is underway in Virginia.

Read the merger application HERE.

Yesterday, the companies announced they’ll call the new company Ballad Health if the merger is approved.

Last Friday, the state says the companies filed the “last significant piece of information necessary to deem the application complete.” The so-called “plan of separation” outlines how the hospitals would unravel if they didn’t meet the requirements of the Certificate of Public Advantage, Tennessee’s state-level mechanism for overseeing the health care merger and the hospital monopoly it would create.

READ the hospital’s just-filed “plan of separation”.

“By statute, the department is charged with determining whether the likely benefits of the proposed merger would outweigh by clear and convincing evidence any disadvantages caused by a potential reduction in competition in the region,” the Department of Health said in a news release. “Those benefits include improvements in health outcomes, health care costs and access to services in the region.”

The Department of Health could ask for more information from the companies during the review period.
Public hearings are scheduled on the COPA application in Nashville, Bristol and Johnson City.

[LINK to the schedule of public hearings:]

Public comments on the proposed merger can be submitted through Nov. 15 on the state’s website.

Public comment in Virginia continues through the end of September.

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Tennessee Department of Health Commissioner John Dreyzehner, MD, MPH, in consultation with Tennessee Attorney General Herbert H. Slatery III today announced the Certificate of Public Advantage, or COPA application from Mountain States Health Alliance and Wellmont Health System is now complete.

The last significant piece of information necessary to deem the application complete was a plan of separation proposing steps to be taken if key benchmarks are not met and the COPA, if granted, would have to be terminated. The applicants submitted their plan of separation last Friday.

“We appreciate the work of Mountain States and Wellmont to provide the necessary information to finalize the merger application,” Dreyzehner said. “Receiving this information is an important step in the COPA application and review process, and now that the application is complete, we will carefully review the proposal to determine whether it ultimately provides a public benefit to Tennesseans.”

By statute, the department is charged with determining whether the likely benefits of the proposed merger would outweigh by clear and convincing evidence any disadvantages caused by a potential reduction in competition in the region. Those benefits include improvements in health outcomes, health care costs and access to services in the region. The department has 120 days to carefully review and determine if the application meets this clear and convincing standard that the proposed merger between the two systems will provide an overall public benefit to the people of northeast Tennessee.

While the application has been deemed complete in Tennessee, the department will have more detailed questions and will likely need to request additional information from the parties as the COPA process continues. TDH will continue to work closely with the Attorney General and his team throughout this review process and appreciates the expertise and insight they bring to what is a complex and important process.

The department is currently developing an index that details a preventive approach to care and healthier outcomes that the COPA will require. Recommendations developed this spring by the COPA Index Advisory Group after a series of regional listening sessions will be used to help develop the index.

Because this process is complex and precedent-setting for the state, the department is holding a series of public hearings to allow citizens to provide comments and suggestions.

“Having conversations now about regional health, standards of care, accessibility and affordability of services will help shape Tennessee’s future healthcare delivery systems,” Dreyzehner said.

The public is invited to provide written comments on the application through the department’s website until November 15, 2016. Additional public hearings are scheduled in Nashville, Bristol and Johnson City. Find the meeting schedule and location information, along with instructions for sharing comments on the COPA process at http://tn.gov/health/article/certificate-of-public-advantage-how-to-comment.
Tennessee deems health system merger application complete

Tennessee Department of Health Commissioner John Dreyzehner, in consultation with Tennessee Attorney General Herbert H. Slatery III today announced the certificate of public advantage, or COPA application from Mountain States Health Alliance and Wellmont Health System is now complete.

According to a news release, the last significant piece of information necessary to deem the application complete was a plan of separation proposing steps to be taken if key benchmarks are not met and the COPA, if granted, would have to be terminated. The applicants submitted their plan of separation last Friday.

“We appreciate the work of Mountain States and Wellmont to provide the necessary information to finalize the merger application,” Dreyzehner said. “Receiving this information is an important step in the COPA application and review process, and now that the application is complete, we will carefully review the proposal to determine whether it ultimately provides a public benefit to Tennesseans.”

By statute, the department is charged with determining whether the likely benefits of the proposed merger would outweigh by clear and convincing evidence any disadvantages caused by a potential reduction in competition in the region, the release states. Those benefits include improvements in health outcomes, health care costs and access to services in the region. The department has 120 days to carefully review and determine if the application meets this clear and convincing standard that the proposed merger between the two systems will provide an overall public benefit to the people of northeast Tennessee.

While the application has been deemed complete in Tennessee, the department will have more detailed questions and will likely need to request additional information from the parties as the COPA process continues. TDH will continue to work closely with the Attorney General and his team throughout this review process and appreciates the expertise and insight they bring to what is a complex and important process.

The department is currently developing an index that details a preventive approach to care and healthier outcomes that the COPA will require. Recommendations developed this spring by the COPA Index Advisory Group after a series of regional listening sessions will be used to help develop the index.

Because this process is complex and precedent-setting for the state, the department is holding a series of public hearings to allow citizens to provide comments and suggestions.
“Having conversations now about regional health, standards of care, accessibility and affordability of services will help shape Tennessee’s future healthcare delivery systems,” Dreyzehner said.

The public is invited to provide written comments on the application through the department’s website until Nov. 15. Additional public hearings are scheduled in Nashville, Bristol and Johnson City. Find the meeting schedule and location information, along with instructions for sharing comments on the COPA process at http://tn.gov/health/article/certificate-of-public-advantage-how-to-comment.
Merging the region’s two largest health care providers doesn’t happen overnight.

But Mountain States Health Alliance and Wellmont Health System are making progress toward that goal.

More than a year after making their intentions known on April 2, 2015, Mountain States and Wellmont’s merger applications in both Tennessee and Virginia have been deemed complete. The Southwest Virginia Health Authority deemed Mountain States and Wellmont’s cooperative agreement application in that state complete on Aug. 26.

“We are making significant progress in bringing our organizations together and are extremely grateful for the outpouring of support we have received from local businesses, elected officials and individuals throughout our community,” a joint statement from Wellmont and Mountain States read.

“We look forward to the next steps in the approval process so we can begin making the transformative investments in community health outlined in our applications.”

While complete doesn’t necessarily mean approved, both health care system CEOs have appeared confident the situation is more of a “when” it’s approved rather than “if” it will be approved.

On Sept. 14, Mountain States CEO Alan Levine and Wellmont CEO Bart Hove announced that the Joint Board Task Force had already hired a branding firm and decided on the merged entity’s new name: Ballad Health.

Levine said the process of rebranding began about eight or nine months ago.

“One day after the brand announcement, the Tennessee Department of Health deemed the merger’s certificate of public advantage application complete after being submitted in February.

“While the application has been deemed complete in Tennessee, the department will have more detailed questions and will likely need to request additional information from the parties as the COPA process continues,” a press release from the state’s Department of Health read.

The press release described the merger’s process as “complex” and “precedent-setting” for Tennessee.
The Department of Health will host a public meeting in Nashville on Sept. 29 in the William Snodgrass Tennessee Tower. There will also be meetings in Bristol on Oct. 6 in the Slater Center Auditorium and a meeting in Johnson City that has not yet been scheduled.

Public comments can be submitted to the Department of Health by emailing tn.health@tn.gov or sending via mail to: TN Department of Health -COPA, 710 James Robertson Parkway, Nashville, Tenn., 37243.

In Virginia, the Southwest Virginia Health Authority will host a public hearing on Oct. 3 at 5 p.m. at the Southwest Virginia Higher Education Center to receive input regarding the application.

Public comments can also be submitted by mailing a letter to the Virginia Highlands Small Business Incubator, 851 French Moore Jr. Blvd., Abingdon, VA, 24210.

The deadline to submit comments is Sept. 30.

The Authority has 75 days from the completion date to make a determination on whether to recommend the merger to Virginia Secretary of Health and Human Service Bill Hazel.

_email Zach Vance at zvance@johnsoncitypress.com. Follow Zach Vance on Twitter at @ZachVanceJCP. Like him on Facebook.com/ZachVanceJCP_
Revised Plan of Separation between
Wellmont Health System and
Mountain States Health Alliance

Pursuant to Grant of Certificate of Public Advantage By the Tennessee Commissioner of Health

This Revised Plan of Separation (“the Revised Plan”) is prepared as part of the application for Certificate of Public Advantage (“COPA”) submitted jointly by Wellmont Health System and Mountain States Health Alliance (collectively “the Parties”) to the Tennessee Department of Health (“the Department”). The Revised Plan is intended to set out the process by which the Parties would effect an orderly separation of the new, integrated health system to be created under the COPA (the “New Health System”) in the event that the Department determines that it is necessary to terminate the COPA previously granted to the Parties, as set forth in T.C.A. section 68-11-1303(g).

1. Overview. The purpose of this outline is to comply with Tenn. Comp. Rules & Regulations 1200-38-01-.02(2)(a)(17). The Revised Plan will be described in two scenarios: the “Short-Term Period” (0 to 18 months) and the “Long-Term Period” (after 18 months).

2. Short-Term Period Plan of Separation. (0 to 18 months post-closing)
   1. Overview. Re-establish a competitive dynamic by returning assets and operations to the control of the contributing party.
   2. Assets Held Separate. Mountain States and Wellmont will not, during the Short- Term Period, transfer to the other, or to the New Health System, any Material Operating Assets held by either Mountain...
States or Wellmont prior to the affiliation. For purposes of this commitment, “Material Operating Assets” shall mean those assets that exceed 10% of the New Health System’s total assets or roughly $300 million. Assets used in providing support services to Mountain States and Wellmont may be transferred as appropriate to effect the integration and achieve cost savings and performance improvement.

3. The Process. Upon written notice from the Department that the COPA has been terminated, the following would occur:

(1) Preservation of Business. The New Health System will take all actions necessary to maintain the independent viability and competitiveness of Mountain States and Wellmont pending separation.

(2) Governance. The New Health System’s Board of Directors will oversee the plan of separation to insure that the plan is successfully implemented, minimizing to the extent possible disputes between the separating entities and disruptions in operations. Upon implementation of the plan of separation, the New Health System will be removed as member of Mountain States and Wellmont. Mountain States and Wellmont will return as the parent corporations of the pre-combination entities:

- a) Mountain States. Mountain States directors will resign from the Wellmont Board and the New Health System Board. Mountain States directors will appoint additional directors to the Mountain States Board.
- b) Wellmont. Wellmont directors will resign from the Mountain States Board and the New Health System Board. Wellmont directors will appoint additional directors to the Wellmont Board.

- (3) Management.
  - a) The Executive Chair/President of the New Health System will be named the Chief Executive Officer of Mountain States.
  - b) The Chief Executive Officer of the New Health System will be named the Chief Executive Officer of Wellmont.
  - c) Mountain States and Wellmont will appoint other executive officers of the respective corporations pursuant to established corporate procedures.
  - d) Clinical Managers will be assigned to the Mountain States/Wellmont Clinical Site that is the Manager’s principal place of service.

- (4) Financial. Mountain States and Wellmont will become separate financial enterprises.
  - a) Debt. Any debt issued by the New Health System will be allocated to Mountain States and Wellmont based upon the proportion of pre-merger debt that each brought to the merger, except that if the proceeds of any debt issued by the New Health System have been used to benefit a facility or facilities (e.g. debt proceeds used to expand physical plant), such debt will be allocated to the entity which receives that facility in the separation.
  - b) Reserves. The cash and marketable securities of the New Health System will be separated between Mountain States and Wellmont in proportion to the original contribution at closing.

- (5) Employees. The New Health System employees will be assigned to their principal place of business. Clinical employees will be assigned to the Mountain States/Wellmont site that is the employee’s principal place of service.
(6) Employee Benefits. To the extent employee benefit plans have been combined, a plan of separation addressing employee benefits will be submitted. Each of Mountain States and Wellmont will be free to change or modify plans under separation. Mountain States and Wellmont will provide all legacy employees with credit for their New Health System service.

(7) Clinical Services. During the Short-Term Period, the New Health System expects the consolidation of any significant clinical services to be limited. To the extent clinical services are combined, a plan of separation addressing clinical services, including a transition services agreement, will be submitted to the Tennessee Department of Health for information prior to such combination.

(8) Information Technology. During the Short-Term Period, the New Health System will develop a combined approach to information technology. While planning and implementation are expected to begin, it is not anticipated that the Common Clinical IT Platform will be fully implemented in the Short-Term Period. Mountain States/Wellmont will each establish separate information technology services as part of the plan of separation. Transition services agreements will be utilized to assure no interruption in operations for Mountain States or Wellmont post-separation.

(9) Payers. During the Short-Term Period, the New Health System expects to negotiate payer agreements consistent with the terms and provisions of the COPA. In the event of any separation of the New Health System during the Short-Term Period, both Mountain States and Wellmont will honor the provisions of the New Health System payer agreements for the balance of any base term (without renewals). If any payer wishes to modify or replace its New Health System payer agreement, Mountain States and Wellmont will negotiate in good faith to reach a mutually acceptable modified or new agreement. All future payer agreements will be negotiated separately by Mountain States and Wellmont.

(10) Physicians. During the Short-Term Period, the New Health System expects to plan, but not execute, a combination of its physician enterprises. To the extent any physician services are combined, a plan of separation addressing physician services, including actions to return physician and other clinic employees to the Mountain States or Wellmont entity that was his or her employer at the closing, will be submitted to the Tennessee Department of Health for information prior to action. Hospital-based physician contracts, such as radiology, pathology, anesthesia, hospitalists, and emergency medicine shall be assigned to the site of service. Mountain States and Wellmont shall honor the physician contracts for the remainder of the base terms (without renewals).

(11) Dissolution. Once Mountain States and Wellmont no longer require support services from the New Health System, the Board of Directors of the New Health System will follow the procedures for voluntary dissolution of the New Health System as provided by Tennessee law.

3. Long-Term Period Plan of Separation. (after 18 months post-closing)

1. Overview. The Long-Term Period plan of separation would be implemented if the Department terminates the COPA after determining that the benefits of the merger no longer outweigh the disadvantages by clear and convincing evidence. Due to the difficulty of predicting the health care environment in the long term, the Long-Term Period plan of separation of necessity is a description of a process for deciding how to separate the assets and operations of the New Health System.

2. The Process:
• (1) Upon receipt of written notice from the Department that the COPA has been terminated, the New Health System will retain a qualified consultant ("the Consultant").

• (2) The Consultant will assist the New Health System in complying with the written notice that the COPA has been terminated by analyzing competitive conditions in the markets subject to the Department’s written notice and identifying the specific steps necessary to return the subject markets to a competitive state.

• (3) The New Health System will submit a plan of separation to the Department (the “Proposed Plan). The Proposed Plan will address each of the substantive elements required of a Short-Term Period plan of separation and will be accompanied by a written report from the Consultant concerning the suitability of the Proposed Plan in addressing the competitive deficiencies that resulted in the termination of the COPA.

• (4) The Proposed Plan shall be submitted within 180 days of receipt of written notice from the Department that the COPA has been terminated. The Proposed Plan shall include a timetable for action which shall be approved by the Department.

3. Upon the Department’s approval of the Proposed Plan (or of any plan that contains revisions thereto) (the “Final Plan”), the New Health System will implement the Final Plan within the timetable prescribed in the Final Plan.

4. The Final Plan will provide that the Department may require that an independent third-party health care expert serve as a monitor (“the Monitor”) to oversee the process of implementing the Final Plan. The New Health System will pay the fees and expenses of the Monitor.

1. Non-Exclusive Plan. To the extent the Parties or the New Health System reasonably determines (based upon the current facts and circumstances) that a competitive dynamic may be restored in another, more efficient or effective means, the Parties or the New Health System may submit a new plan of separation different from the pre-submitted plan. In such event, the amended plan of separation must receive the Department’s approval prior to its implementation.

2. Annual Update. Department regulations provide that the plan of separation be updated annually. The annual update will address each of the following elements as appropriate and possible in light of the then existing facts and circumstances: (a) Governance, (b) Management, (c) Financial Separation, (d) Employees, (e) Employee Benefits, (f) Clinical Services, (g) Information Technology, (h) Payers, and (i) Physicians.
Southwest VA Health Authority to hold listening sessions on MSHA, Wellmont approved cooperative agreement

By News Channel 11 Staff Published: September 21, 2016, 3:45 pm Updated: September 21, 2016, 6:19 pm

SOUTHWEST, VA (WJHL) – The Southwest Virginia Health Authority announced Wednesday that they will hold two listening sessions to let the public comment on the recently approved cooperative agreement between Wellmont Health System and Mountain States Health Alliance.

The first event will be held at Lebanon High School in Lebanon, Va. on Sept. 26 at 6 p.m.

The second event will be held at the student center at UVA-Wise on Sept. 27 at 6 p.m.

Mountain States and Wellmont will give a brief presentation at each event before members of the public are given time to speak.

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Listening sessions set for proposed health system merger

BY DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Thursday, September 22, 2016 1:37 am

ABINGDON, Va. — Southwest Virginians will have three upcoming opportunities to voice their opinion or learn more about the proposed merger of two area health systems.

Two listening sessions are scheduled next week followed by the formal public hearing Oct. 3 regarding the proposed merger of Mountain States Health Alliance and Wellmont Health System. The two systems announced their intent to merge in 2015 and filed formal applications with the Virginia and Tennessee departments of health in February.

The Southwest Virginia Health Authority will host listening sessions Sept. 26 at Lebanon High School in Lebanon, Virginia and Sept. 27 at the student center at the University of Virginia’s College at Wise, according to a written statement. Both sessions are scheduled to begin at 6 p.m.

The health authority deemed the joint application complete on Aug 26, following six months of review. Following the public comment period, it will be up to the authority’s board to recommend the merger and forward it on to the Virginia Department of Health.

"We have decided to host two listening sessions where the applicants will give a brief presentation, and then the public can speak," according to authority Chairman Terry Kilgore.

A public hearing, which is required by state law, is scheduled to Oct. 3 at the Southwest Virginia Higher Education Center. It is set to begin at 5 p.m.

"For those who have not had an opportunity to voice their opinions, I encourage them to take advantage of the listening tour so their questions, comments or concerns may be addressed as the process continues," state Del. Todd Pillion said in the statement.

Tennesseans can participate in a similar public hearing Sept. 29 in Nashville and Oct. 6, beginning at 5:30 p.m., at the Slater Community Center in Bristol, Tennessee.

Tennessee health officials also recently deemed the joint application complete.
Tennessee health commissioner, AG deem hospital merger application complete

By NN Assistant on September 22, 2016 Featured

Tennessee Department of Health Commissioner John Dreyzehner, MD, MPH, in consultation with Tennessee Attorney General Herbert H. Slatery III announced Thursday the Certificate of Public Advantage, or COPA application from Mountain States Health Alliance and Wellmont Health System is now complete.

The last significant piece of information necessary to deem the application complete was a plan of separation proposing steps to be taken if key benchmarks are not met and the COPA, if granted, would have to be terminated. The applicants submitted their plan of separation Sept. 9 (see the updated plan at bjournal.com/separationplan).

“We appreciate the work of Mountain States and Wellmont to provide the necessary information to finalize the merger application,” Dreyzehner said. “Receiving this information is an important step in the COPA application and review process, and now that the application is complete, we will carefully review the proposal to determine whether it ultimately provides a public benefit to Tennesseans.”

By statute, the department is charged with determining whether the likely benefits of the proposed merger would outweigh by clear and convincing evidence any disadvantages caused by a potential reduction in competition in the region.

Those benefits include improvements in health outcomes, health care costs and access to services in the region. The department has 120 days to carefully review and determine if the application meets this clear and convincing standard that the proposed merger between the two systems will provide an overall public benefit to the people of northeast Tennessee.
While the application has been deemed complete in Tennessee, the department will have more detailed questions and will likely need to request additional information from the parties as the COPA process continues. TDH will continue to work closely with the Attorney General and his team throughout this review process, drawing on the expertise and insight they bring to what is a complex and important process.

The department is currently developing an index that details a preventive approach to care and healthier outcomes that the COPA will require. Recommendations developed this spring by the COPA Index Advisory Group after a series of regional listening sessions will be used to help develop the index.

Because this process is complex and precedent-setting for the state, the department is holding a series of public hearings to allow citizens to provide comments and suggestions.

“Having conversations now about regional health, standards of care, accessibility and affordability of services will help shape Tennessee’s future healthcare delivery systems,” Dreyzehner said.

The public is invited to provide written comments on the application through the department’s website until Nov. 15. Additional public hearings are scheduled in Nashville, Bristol and Johnson City. Find the meeting schedule and location information, along with instructions for sharing comments on the COPA process at tn.gov/health/article/certificate-of-public-advantage-how-to-comment.
Officials with Wellmont Health Systems and Mountain States Health Alliance have settled on a name for their proposed merged health system.

Are you ready for it?

Drum roll please ...

Ballad Health System.

Eh?

The Merriam-Webster Dictionary defines the word “ballad” as “a slow popular song that is typically about love, or as a kind of poem or song that tells a story (such as a story about a famous person from history.)”

The slogan for Ballad Health declares: “It’s your story. We’re listening.”

Monigle Associates Inc., a branding firm based in Colorado, was hired by Wellmont and MSHA to help select a name for the new health system. Bart Hove, CEO of Wellmont, said “hundreds of interviews were conducted all across our community and our region” to come up with an appropriate name.

MSHA CEO Alan Levine believes Ballad Health strikes the right note in depicting the new health care system, which is awaiting final approval from regulators in Tennessee and Virginia.

“When you look at our region and you look at the culture here, it is so deeply rooted in the stories of so many people,” Levine told the Press earlier this month. “There are so many things about the history of this region that are so rich and powerful.”

We want to know what you think about the name. Does Ballad Health ring true to your ears?

You can sound off on this topic by sending your comments to mailbag@johnsoncitypress.com. Please include your name, telephone number and address for verification.
Majority of speakers favor Wellmont-MSHA merger

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Monday, September 26, 2016 9:48 pm

LEBANON, Va. — A majority of speakers Monday favored the proposed merger of two area health systems during a listening session at Lebanon High School.

Seventy-five percent of speakers expressed support for a cooperative operating agreement between Mountain States Health Alliance and Wellmont Health System. Their comments came during the first of two listening sessions hosted by the Southwest Virginia Health Authority, which must determine if it will recommend the agreement.

The two health systems operate 19 area hospitals, numerous other health care and diagnostic centers and employ about 14,000 people across Northeast Tennessee and Southwest Virginia.

Speaker Randall Hillman of Honaker said his nearest options for hospital care are Russell County Medical Center in Lebanon or traveling to Richlands, Virginia or Pikeville, Kentucky.

“I think what happens to Russell County Medical Center is best for the merger. If it helps us here in Russell County, it helps people in Johnson City and Bristol,” Hillman said. “We’re a small hospital. We need support and I think this [merger] will give us the support we need.”

The two systems have committed to keeping all existing rural hospitals open for at least five years. Mountain States CEO Alan Levine said Monday they chose five years because of “not knowing what might happen in health care after five years.” The Lebanon hospital historically loses money and is subsidized by revenue from other MSHA facilities, Levine said.

“I am very supportive of this merger,” said David Eaton, a member of the Russell County Board of Supervisors. “I am also very pleased that we’ll be able to keep our facility for five years. That will give us enough time to get dug in and work on the economic side. Two of the most important things you can have in a region are strong education and a hospital. It will be very hard for us to be successful unless we’re able to keep our hospital.”

Nationally, 76 rural hospitals have closed since 2010, Wellmont CEO Bart Hove said during his remarks.

Aggie Marshall of Castlewood was outspoken in her criticism, saying the plan would eliminate competition. Marshall said she typically pays cash for health care since losing insurance coverage and found Wellmont’s prices are lower.
“I think this merger would be a huge mistake,” Marshall said. “This creates a monopoly. What’s going to happen? Will Mountain States’ price come down to Wellmont? Uh uh; Wellmont will go up to what Mountain States is charging. People who pay cash cannot afford that. Unless you pay cash, you don’t realize the difference in prices. This is a bad idea.”

Asked afterward, Levine said he couldn’t directly respond to the examples Marshall cited.

“We can’t share pricing information currently and I can’t speak to her situation because I don’t know anything about the procedure,” Levine said. “Pricing is largely not relevant except for someone without insurance because what we charge and what we get paid is largely dictated by the insurance company or by Medicare. For more than 70 percent of people we see, you can’t negotiate because pricing is dictated to us.”

Levine said if the two systems have discrepancies in pricing for similar procedures, they would likely be leveled out over time. Both systems have pledged to cap price increases if allowed to merge.

During his remarks, Levine highlighted commitments from the proposed merged system to invest $75 million to improve population health; $140 million on mental health, addiction recovery and substance abuse programs; $85 million to expand academic and research opportunities; and $150 million to establish a shared electronic health records system during the next decade.

Steve Breeding, chairman of the Russell County Board of Supervisors, cited one of those in voicing support.

“Putting a drug treatment facility in Southwest Virginia, I think you sold me right there. That is something we have needed in our area forever and I am delighted to hear that,” Breeding said.

He expects the Russell board will soon pass a resolution supporting the joint agreement.

In addition to Monday’s event at Lebanon High School, the authority will host a similar session tonight at the University of Virginia’s College at Wise and a public hearing next week in Abingdon at the Southwest Virginia Higher Education Center.

Only about 30 people attended Monday’s event but Health Authority board Chairman Terry Kilgore said he wasn’t disappointed.

“Folks are working, busy and have other things going on,” Kilgore said. “I suspect we’ll have more at Wise because we have three [hospital] facilities there in Wise County. The public hearing, I think, is where everybody will show up on Oct. 3. We had some interested folks and some folks took papers to make written comments, so it was worthwhile.”

After next week’s public hearing, the authority board has until Nov. 9 to submit its recommendation on the proposed merger to Virginia’s Commissioner of Health.
A similar process is underway in Tennessee where the systems are seeking a Certificate of Public Advantage. The Tennessee Department of Health has scheduled two public hearings, Sept. 29 in Nashville and Oct. 6 in Bristol at the Slater Community Center.
Readers sound off on name for health system

• SEP 30, 2016 AT 12:00 AM

“How does Ballad Health sound to you?”

That’s an easy question. Hilarious! Ridiculous! Ludicrous! Absurd! Amateurish! Stupid!

On the other hand, if laughter is truly the best medicine, then it’s an ideal choice. Remind me once again what they are smoking out there in Colorado these days.

Why not Storytelling Health, or Quilting Health or Big Burley Belt Health?

DONALD SHAFFER
Johnson City

Listen to us
With all due respect to our Appalachian heritage, Ballad Health sounds and looks like Bad Health.

Rather than hire a pricey branding firm in Colorado, Wellmont Health System and Mountain States Health Alliance could have engaged our bright minds here in the area, particularly students. Focus groups could have followed up on their ideas and proposed a name for a fraction of the money spent.

It’s not our story. You didn’t listen, Wellmont and MSHA. You didn’t even ask us.

KATY ROSOLOWSKI
Johnson City

Makes no sense
Ballad Health is a perfectly logical name when you understand how the process worked.

The task force met and the chairman told everyone to write one word on a piece of paper. They were all placed in a hat and three words were drawn. And that is the way we got the name for the new health system.

Oh, and why was a branding firm paid for this? Well, the process was their suggestion. Seems it was a slow day in Colorado.

Honestly? It makes no sense no matter how you want to spin it.

P.A. MILLER
Johnson City
FTC to health groups: Don't merge

The likely benefits of a merger of Mountain States and Wellmont health systems do not outweigh the likely disadvantages of the elimination of competition between the two, Federal Trade Commission staff say.

That was the closing summary of the FTC's 66-page submission, plus attachments, to the Southwest Virginia Health Authority and the Virginia Department of Health as each considers whether to approve the cooperative agreement between the two health systems.

The health authority held a public hearing on the merger Monday night but no action was planned.

"We are submitting this comment to express our concern that the proposed merger of Mountain States and Wellmont would undermine, rather than advance, the authority's goals," according to the FTC staff submission. "The proposed merger presents substantial risk of serious competitive and consumer harm in the form of higher healthcare costs, lower quality, reduced innovation, and reduced access to care.

"Evidence shows that this harm would not be outweighed by any potential benefits of the merger, nor would it be eliminated or effectively mitigated by regulating the combined entity's post-merger conduct.

"Competition is the most reliable and effective mechanism for controlling healthcare costs while preserving quality of care, including in rural areas facing economic challenges."

FTC staff's concerns are based on a yearlong assessment of the proposed merger, according to the submission. It was produced by the Bureau of Competition, Bureau of Economics and Office of Policy Planning.

According to its comments, the economic analysis confirms "the merger will result in extraordinarily high market shares and concentration," even exceeding "those of past hospital mergers that the FTC and federal courts have found to be anticompetitive."

The FTC submission points out that the two health systems "recognize that the merger is likely to raise significant antitrust concerns. They attempt to mitigate potential adverse effects on prices and quality by proposing several commitments that they assert would restrict their post-merger pricing and contracting behavior, and ensure quality improvements.

"However, their proposed commitments would prove difficult to implement, monitor, and enforce, and would not replicate the benefits of competition. The price commitments could even result in higher prices than might otherwise occur in a competitive market."

The proposed commitments the two health systems promise if the merger is approved do not change this conclusion, the FTC staff says.

The FTC comments note that its analysis is closely aligned with the analysis that the authority and the commissioner will undertake. It also notes a similar mission — to preserve competition that will benefit consumers and enhance innovation in healthcare markets.

"If the cooperative agreement is approved, the harm resulting from the reduction in competition is likely to far outweigh any potential benefits. Consequently, we urge the Authority and the Commissioner not to approve the cooperative agreement."

ALTERNATIVE SOLUTION

In a joint statement issued late Monday afternoon in response to the FTC comments, Mountain States and Wellmont said their proposed cooperative agreement provides an "alternative solution" for the region.
"Rather than dedicating valuable resources to unnecessary duplication that does not add value under the current two health system model, we believe our resources can be better spent on improving community health, filling existing gaps in community-based resources to treat addiction and mental illness, and investing in medical education and research opportunities, as well as in quality and access," according to the joint statement. The health systems said they plan to "fully respond" to the FTC comments "and point out the many and relevant deficiencies in their views."

The joint statement said the FTC staff "has evaluated our proposal using an analytical framework that does not take into account the nature of what we are proposing and cites examples that tell only part of the story." The cooperative agreement, the state says, "ensures any potential impact of reduced competition is mitigated by ongoing and active state supervision and includes enforceable commitments to reduce cost, protect the marketplace, increase quality, preserve access, enhance healthcare delivery and improve the health and economic wellbeing of our region."

The joint statement also pointed out that the "principle of state action immunity has been upheld by the United States Supreme Court and successfully implemented in other states. Ultimately, the decision to approve or deny our cooperative agreement rests with the Commonwealth, under the laws currently in place to govern such an arrangement.

"The community leaders of our region, along with major businesses, chambers of commerce and municipalities have spoken loudly and clearly in support of our proposed merger. These groups and individuals are well aware of what is at stake in this generational decision, and we believe they know best how to protect the interests of our region."

NOT SURPRISED

The health authority held a public hearing on the proposed merger last night. In a phone interview before convening the hearing, Del. Terry Kilgore, authority chairman, said he was not entirely surprised by the FTC staff's position.

The agency has been opposing hospital mergers all over the country, Kilgore said, and even going to court to stop them. He said he is still poring over the FTC staff submission, which arrived Friday, the last day of the public comment period.

"If we don't do something more hospitals are going to close," Kilgore said, "and more people are going to lack that access to care."

He lived through the closing of the Lee County hospital, he said, and doesn't want to see the same fate for Norton Community Hospital, Lonesome Pine Hospital or Dickenson Community Hospital.

Kilgore said the authority planned to take no action at Monday's public hearing. There are regular meetings coming up this month where they will continue the process, he said,

This merger story is going to play out with the authority over the next two or three weeks and then, if it moves forward, over the next months, Kilgore predicted. The Virginia Department of Health is the next stop where the health commissioner’s office will make a determination of whether the advantages outweigh the disadvantages.

Kilgore said those who don't watch health care and mergers might be surprised by the FTC comments. He acknowledged he was a little surprised the FTC staff was "coming down pretty hard" on the merger plan.

The full text of the FTC and all other comments can be found on the authority's website, swvahealthauthority.net/public-comment-received/.
ABINGDON, Va. – An official from the Federal Trade Commission poured some cold water on a Monday public hearing about the proposed merger of the region’s two health care systems, saying the commission has “significant concerns” about the negative effects it could have on pricing and quality of care.

During the public hearing, where an overwhelming number of speakers favored the move, Mark Seidman, deputy assistant director of the FTC’s merger support division, said a staff review of the proposal was unfavorable.

“Thus far, our investigation has led us to have significant concerns about the negative effects this merger of vigorous competitors could have on hospital pricing and quality of care on the residents of Southwest Virginia,” Seidman said. “Together, the hospitals would have a dominant market share of inpatient services and significant market share on outpatient and physician specialty service lines in the 21-county area they wish to serve.”

He added that hospital mergers generally result in higher charges and could promote reduced services.

“The hospitals have proposed commitments they claim would mitigate any negative effects, but these commitments are insufficient and unlikely to achieve this result,” said Seidman, who called the commitments “ambiguous.”

The hearing was hosted by the Southwest Virginia Health Authority and attracted about 75 to the Southwest Virginia Higher Education Center in Abingdon.

More than 80 percent of the 23 speakers voiced support for the cooperative agreement being sought by Mountain States Health Alliance and Wellmont Health System. The two systems say the current shifting health care landscape prompted them to seek a merger of 19 hospitals, 14,000 employees and multiple other treatment and diagnostic facilities.

The authority has a November deadline to make its recommendation regarding the merger to the Virginia secretary of health. A similar process is being conducted by the Tennessee Department of Health, which must also approve any merger. Another public hearing is scheduled Thursday at the Slater Center in Bristol, Tennessee.
Wellmont and MSHA have committed to investing $450 million over 10 years in initiatives to improve regional health outcomes, address drug addiction and mental health services and establish a common electronic medical records platform.

Seidman also expressed concern about how compliance with those commitments would be measured.

“Mountain States and Wellmont have failed to provide sufficient detail to evaluate if these benefits could be achieved,” Seidman said.

After the meeting, leaders of both systems said they disagree with Seidman and plan to file a written response with the health authority.

“We plan to respond to the FTC and their concerns,” said MSHA President and CEO Alan Levine. “We appreciate the work they do, but their observation about the merger leading to price increases – there is 100 percent evidence to the contrary. And costs will go up more if we don’t merge than if we do merge. That is a provable fact. I would ask, what is the evidence pricing would go up? If we merge with an outside organization, in that model, pricing does go up.”

As part of its merger documentation, the two systems agreed to impose limits on charges for health care services.

“The letter they sent was an FTC staff opinion, not an FTC ruling,” Wellmont President and CEO Bart Hove said. “We have an opportunity to rebut or correct the inaccuracies that were part of that letter.”

A representative of the Virginia Hospital & Healthcare Association told the authority it supports the merger, but agents for two insurance lobbying groups raised similar issues about rate increases and oversight of the merged system.

A number of area business, civic and education leaders voiced support for the plan.

David Ring, manager of government affairs for Strongwell, said the Bristol Virginia-based company is challenged by rising health care costs.

“Between 2015 and 2016, our health care costs increased 23 percent. Such trends are no longer sustainable,” Ring said.

That company recently opened a facility in Mexico because health care costs for workers there are typically about 10 percent of costs in the U.S.

Steve Smith, CEO of the Food City grocery chain, said his company is self-insured and also supports the merger.
“Properly done, I believe this merger is one of the most effective ways for our region to address both the cost of health care and the population health challenges our communities face,” Smith said. “The health systems have agreed to place limits on their negotiated rates for insurance, which gives us a degree of certainty about costs that we’ve never had before. This commitment, in my mind, is unprecedented and is probably an offer we would not get from anywhere else.”

Martin Kent, president and CEO of The United Co. of Bristol, Virginia, predicted that a “managed, merged system would be far superior to others.”

Levine said that buy-in from business leaders speaks volumes about the plan.

“You’re talking about people creating jobs in the region. They’ve done their work and studied this,” Levine said. “They’ve looked at the commitments we’re trying to make, looked at what we’re trying to get done and understand the challenges we have.”

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Competition over combination.

That’s the stance Federal Trade Commission staff members have taken on the proposed merger of Mountain States Health Alliance and Wellmont Health System.

Representatives of the FTC’s Bureau of Competition, Bureau of Economics and Office of Policy Planning articulated their disapproval in a 123-page document submitted to the Southwest Virginia Health Authority and Virginia Department Health on Monday in Abingdon.

Staff members have spent a year reviewing the proposal.

Wellmont and Mountain States’ inpatient market shares are significant for the area. FTC officials said if the merger is approved, the combined share would be 71.13 percent in the 21-county area it plans to serve.

Mountain States’ market share is currently 42.23 percent of the market, while Wellmont’s is 28.90 percent.

“The combined market share and increase in concentration would also exceed those of past hospital mergers that the FTC and federal courts have found to be anticompetitive,” the letter reads.

In an attachment to the letter, a chart shows three other health care system mergers that have been prevented due to an enjoinment. Those estimated market shares ranged from 43 percent to 68 percent and dated back to 1990.

The FTA staff claims two issues arise — higher prices and reduced quality — when two hospitals as competitive as Mountain States and Wellmont merge.

Citing a Robert Wood Johnson Foundation study on hospital mergers, the FTC suggests a price increase of 20 percent could occur in concentrated markets.

An economics consultant hired by a health insurance industry lobbyist group estimated prices could increase as much as 130 percent during a study on the merger in November 2015.

Mountain States and Wellmont have reportedly agreed on price limits for health care services.

A joint statement from Wellmont and Mountain States claims that if the FTC had reached out to them, several relevant errors and omissions could have been pointed out in the public comment submission.

“Without any communications with us whatsoever, we find it impossible to understand how they could have reached their conclusions. Simply put, their letter is full of opinions and speculation,” the joint statement reads.

“The FTC staff’s views are significantly out of step with virtually every business leader in our region, many of whom have provided support for this merger upon their own considered study of the merger and its implications as well as the alternatives.”
Food City CEO Steve Smith and Martin Kent, CEO of Bristol’s The United Co., were among those who favored the merger during Monday’s public meeting in Abingdon, Va.

The FTC currently has no formal role in Virginia or Tennessee’s decision to grant approval of the merger.

The agency could seek a preliminary injunction from a federal judge to temporarily stop the merger, but in June, a federal judge in Chicago objected the FTC’s request to halt a merger between Advocate Health Care and NorthShore University HealthSystem. Similarly in July, the FTC voted to abandon challenging a West Virginia hospital merger after the state’s governor signed a law that would protect hospital mergers from state and federal antitrust scrutiny.

“The doctrine of State Action Immunity is a long-held law upheld by the Supreme Court of the United States. Our proposal falls squarely within the law and is modeled after successful similar actions that have proven effective for the communities where they have been implemented,” the Wellmont-MSHA statement read.

During Monday’s public comment section, Seidman said it would be extremely hard to “unwind” the merger if it was approved and did not yield its promised benefits.

“The Plan of Separation submitted by the hospitals does little to alleviate the significant challenges of ‘unscrambling the eggs’ following a hospital merger, particularly of this size,” Seidman said.

Mountain States and Wellmont will file an official written response to the Southwest Virginia Health Authority on Oct. 13.

The Southwest Virginia Health Authority has until November to make a decision on the merger.

A public hearing regarding the merger is scheduled to begin at 5:30 p.m. at the Slater Center in Bristol, Tenn., on Thursday.

Email Zach Vance at zvance@johnsoncitypress.com. Follow Zach Vance on Twitter at @ZachVanceJCP. Like him on Facebook.com/ZachVanceJCP
The FTC observed that Norton (Va.) Community Hospital (above), operated by Mountain States, and Wellmont's Mountain View Regional Medical Center are the only acute hospitals in the area.

The Federal Trade Commission has recommended Virginia regulators reject the proposed merger of two large regional systems in the state.

At a public hearing Monday, FTC official Mark Seidman told the Southwest Virginia Health Authority and the Virginia Department of Health that it should deny the application by Mountain States Health Alliance and Wellmont Health System to merge. He said the deal will cause an anticompetitive healthcare climate in the state, leading to higher prices and lower quality of care for patients.

FTC staff also submitted on Sept. 30 a report outlining their opposition to the merger.

The state agencies requested the FTC investigate the proposed merger before deciding whether to approve the deal. Virginia has the authority to approve the merger despite a recommendation from the FTC to oppose it.
The Virginia Department of Health said in a prepared statement that the state health commissioner is waiting for a recommendation from the Southwest Virginia Health Authority before deciding. The agency will also again review the merger application and all related documents before it decides whether or not to authorize the merger.

The Southwest Virginia Health Authority, a state organization of legislators and others that regulate the state's healthcare industry, did not respond to a request for comment.

Mountain States and Wellmont will submit a written response on the FTC's opinion to the Southwest Virginia Health Authority by Oct. 10, and will “explicitly address the shortcomings in their letter,” the systems said in a joint statement.

The systems announced plans to pursue a merger in April 2015.

Mountain States and Wellmont Health are both large systems with locations in multiple states. Johnson City, Tenn.-based Mountain States is a 13-hospital system that serves Kentucky, North Carolina, Tennessee and Virginia. Kingsport, Tenn.-based Wellmont is a six-hospital system that serves Tennessee and Virginia.

The systems' leaders have said the alliance will result in lower costs and higher quality of care.

But Seidman said healthcare costs would “significantly” increase because the systems “would have a dominant market share of inpatient services and a significant market share in several outpatient and physician-specialty service lines in the 21-county area they propose to serve.”

The FTC staff report found Mountain States and Wellmont would control 71% of the geographic area they both serve.

In a statement, the systems opposed the FTC's opinion that the merger would result in higher prices. They said, “There have been several examples where arrangements similar to what we have proposed have resulted in lower costs to consumers, and high quality.”
The FTC's Seidman also said Mountain States and Wellmont have “failed to provide sufficient detail to evaluate” whether the cost savings and quality benefits touted would be achieved. He also cast doubt on whether the merger was necessary, adding that both of the systems have the scale and capability to achieve many of the claimed benefits on their own.

As part of the regulatory approval process, the systems have submitted reports to Virginia and Tennessee agencies. In January, Mountain States and Wellmont pledged up to $450 million in community benefits if the merger is approved.

The areas of investment include improving community health, enhancing healthcare services, investing in health research and education, and attracting and retaining a strong workforce.

The merger could also lead to possible job cuts at the systems that would save $25 million per year in labor costs. But the two systems added that other potential partnerships out of state or out of region would also lead to potential job losses.

The systems also took the unusual step in June 2015 of requesting public input on the merger in order to identify gaps in care.

Tags: Finance, Mergers & Acquisitions, Not-for-Profit Hospitals, Providers, Regulation

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- Mountain States, Wellmont say merger would minimize job cuts
- Wellmont appoints Hove as interim CEO
- It takes a village to merge Wellmont and Mountain States Health Alliance

Advertisement
By Jeff Keeling

Wellmont Health System and Mountain States Health Alliance’s bid to become a single, $1.9 billion hospital system passed a critical juncture last month. The Sept. 15 Tennessee Department of Health (TDH) decision to deem the systems’ application for a Certificate of Public Advantage (COPA) complete – granted seven months after the initial application was submitted – set the clock ticking toward a final decision at the state level. A similar ruling Aug. 26 by the Southwest Virginia Health Authority (SVHA) regarding the application in that state means decisions are pending in Nashville and Richmond by the end of January. Judging by the healthcare merger landscape, though, the states’ decisions may not mark the end of the journey.

Players ranging from the Federal Trade Commission (FTC) and federal judges to healthcare economists, hospital lobbyists and their opposite numbers from the health insurance industry present a picture that is uncertain at best, muddled at worst. Two days before this magazine went to press, for instance, a federal circuit court judge in Pennsylvania overturned a lower court judge’s decision that had approved a merger in the Harrisburg market. A May decision that hospital advocates had hailed as a victory has now flipped to the advantage of the FTC, which had argued the proposal’s disadvantages outweighed its benefits. The fulcrum at the center of this uncertainty is the federal Patient Protection and Affordable Care Act (or ACA, or Obamacare, depending on one’s chosen parlance). Some say mergers, even those that reduce competition, represent an opportunity to meet the goals of the ACA and give hospital systems their best opportunity to improve care, reduce costs, and contribute to better overall population health. Others, including the FTC, argue that if competition is reduced by too great a degree, any benefits are unlikely to outweigh the disadvantages.
An additional wrinkle complicates the Wellmont-Mountain States situation – that of “state action immunity.” The concept that states can construct laws explicitly designed to displace competition with regulation and “active supervision” is at the heart of Tennessee’s COPA law, and is further designed to shield a merged system from standard federal and state antitrust law. Should the departments of health and attorneys general of Tennessee and Virginia decide by early 2017 that the benefits from a proposed “cooperative agreement” between the systems outweigh the disadvantages caused by reduction in competition, the journey toward consolidation may be complete – or it may not. As this article will show, even the limited but growing number of merger proposals relying on state laws designed to provide antitrust immunity are the subject of intense scrutiny. Whether their accompanying regulatory mechanisms can adequately replace competition and insure benefits continue to outweigh disadvantages remains the subject of debate. And the nation is watching situations like the one here. As TDH noted in its release about the application being deemed complete, “this process is complex and precedent-setting.” And the FTC has done more than just hint that it feels no motivation to remain hands-off even in merger scenarios where state action immunity has been invoked.

If they merge – a name and an annual bill from the state

A fair bit happened between Sept. 9 and Sept. 15 on the Tennessee side of the merger ledger. On the 9th, the hospital systems submitted to TDH a much more robust “plan of separation” that would be triggered should an approved merger later be determined not to be beneficial to the public. TDH had called the first iteration of that plan insufficient, and while the systems had argued that such a detailed plan shouldn’t have to be submitted at this stage, they relented (the plan of separation can be read at bjournal.com/separationplan).

A day before TDH deemed the application complete, the systems shared with the media a letter they had sent to employees. That letter explained that, “Once our merger is approved, Mountain States Health Alliance and Wellmont Health System will become Ballad Health. And our tag line will be, ‘It’s your story. We’re listening.’”

More broadly, the proposal continues to be scrutinized in minute detail, just as any approved Wellmont-Mountain States merger will continue to be – or so it appears. A merger would be governed by the COPA in Tennessee and the Cooperative Agreement in Virginia, with a high degree of regulation imposed in an effort to insure the benefits.
outweigh the disadvantages. Those regulations stem in Tennessee and Virginia from the laws that made them possible. Those laws did two main things in order to provide state action immunity from federal and state antitrust law “to the fullest extent possible” to hospitals issued a COPA. First, they established as state policy the lessening of competition among hospitals to promote cooperation and coordination in provision of health services. Second, they set up a system for “active supervision” of any such collaborations.

That active supervision won’t come cheap, and Ballad Health would foot the bill. The Tennessee General Assembly’s “fiscal note” on the bill’s impact estimated a $353,100 annual recurring cost for oversight. That money would pay for, primarily, two new staff positions ($223,088 including salaries, benefits and office space), an estimated $100,000 in annual contracts with expert consultants, and $20,000 for obtaining regionally specific data. All of it, the fiscal note said, is necessary to provide the ongoing analysis required.

On the Virginia side, rules governing the cooperative agreement mandate a $20,000 annual fee to be due when a merged system files its annual report (an updated plan of separation must also be filed annually). If the commissioner of Virginia’s Department of Health determines the cost to the department exceeds $20,000, that fee can rise to a maximum of $75,000.

Doug Gray, director of the Virginia Association of Health Plans (VAHP), questions how realistic that state’s approach to the possibility of eventual oversight is, at least based on the evidence he’s seen so far. Gray has been a fixture at SVHA meetings, strongly advocating for more information. He admits that as an advocate for the health insurance
industry, he anticipates opposing the merger regardless of what additional conditions are placed on the hospital systems between now and any approval that might occur. He says the ongoing oversight piece is one of his primary areas of concern.

“The idea that they will be able to steer it is attached to a certain overestimation of the influence of a regulating entity,” Gray says. “There’s been no good discussion whatsoever about having the resources available to appropriately monitor such an agreement if it were approved. Staff is not in place, there’s not enough FTEs, there’s no process in place, there is no understanding of how things would be checked and when. What’s been described to us so far is an annual report that somebody reads, and that’s it.”

Even if those issues are addressed, Gray says, “it will be after the fact supervision. It might even fall into the category of accountability, maybe. We’re not talking about, when they go way off onto the shoulder, somebody being able to reach over there and grab the wheel and pull them back. That isn’t going to happen. They’re not even in the car.”

Gray, who says he plans to attend additional public meetings and hearings between now and Virginia’s decision, also anticipates the FTC stepping further off of the sidelines in this merger case, possibly even before the states announce their decision. Agency representatives have listened by phone during SVHA meetings and offered some written comment to both states, but the FTC has refrained so far from showing its hand completely.

**Reading the FTC’s tea leaves**

The greater Tri-Cities’ merger process is taking place within the context of ongoing changes in hospital business models, largely precipitated by the ACA. The FTC traditionally has challenged any business arrangements it deems anticompetitive, including those in the hospital realm. As reported early this year in the *Business Journal*, the agency had enjoyed a string of successful challenges to mergers stretching into 2015. (see [bjournal.com/continued-ftc-scrutiny-likely-despite-mergers-proposed-structure](http://bjournal.com/continued-ftc-scrutiny-likely-despite-mergers-proposed-structure)).

This year has brought some different results, though – results that leave far from resolved the uncertainty surrounding the broader issues of consolidation, anticompetitive effects and how those things all stack up in a post-ACA world. Judges in Illinois and Pennsylvania have gone against the FTC in its challenges of proposed mergers, but an appeal in the Pennsylvania case resulted in a victory for the FTC just two days before this issue went to press in late September.

In June, a federal judge in Chicago declined the FTC’s request that he issue an injunction to temporarily halt a merger between two area systems. A month earlier, another federal judge denied the FTC’s injunction request that would have halted a merger between two systems in the Harrisburg, Pa. area. A *Modern Healthcare* article on the cases published June 16 noted, however, that legal antitrust experts were advising caution as healthcare systems consider mergers. “(M)any experts believe the government will ultimately prevail in the Pennsylvania case,” the article by Lisa Schencker noted, adding that several dozen prominent economists and antitrust experts filed a friend of the court brief siding with the FTC and criticizing the judge’s methodology, particularly when it came to determining market share.
On Sept. 27, it appeared those experts were right to bet on the government. The Third Circuit Court of Appeals in Philadelphia overruled the earlier decision, granting an injunction preventing merger until after a hearing in the FTC’s administrative court. The merger had been stayed pending the appeal.

The director of the FTC’s bureau of competition, Debbie Feinstein, said in a statement Sept. 27 the agency was “very pleased” with the ruling, which she said found the FTC had a likelihood of successfully blocking the merger based on the merits. “We look forward to proving our case,” she said.

What about state action immunity?

The Chicago and Harrisburg cases differ significantly from the local situation in one crucial respect – the state action immunity doctrine. This leaves the FTC with less direct interventional power, but that hasn’t stopped the agency from weighing in on such cases. Indeed, the MSHA-Wellmont proposal has generated letters from the FTC to Tennessee and Virginia.

The agency’s Mark Seidman’s comments at a June 7 public hearing took the standard FTC line on COPA-type arrangements. “Although our analysis is ongoing, experience shows that the kinds of commitments proposed by the parties to date, which are designed to constrain their conduct after the merger, generally do not replicate the benefits of competition.,” Seidman said. He added that the FTC planned to submit additional written comments after the COPA application was deemed complete, “so we can provide the most informed and complete analysis possible.”

A month after Seidman’s comments, on July 6, the FTC took a strong position regarding what it called, “another example of healthcare providers attempting to use state legislation to shield potentially anticompetitive combinations from antitrust enforcement.” That example was a recently passed law in West Virginia, similar to Tennessee’s COPA law, that retroactively provided state action immunity to a proposed merger in the Huntington market the FTC had challenged last November. The statement came following the FTC’s decision to dismiss its administrative complaint from November, “in light of the passage of West Virginia Senate Bill 597.”

In a three-page statement, the FTC wrote that it believed state cooperative agreement laws such as the West Virginia statute, “are likely to harm communities through higher healthcare prices and lower healthcare quality.” The statement also addressed what it said are claims by COPA proponents, “that antitrust enforcement undermines the policy goals of the Affordable Care Act to improve quality and lower costs through greater coordination among healthcare providers,” calling that notion “fundamentally incorrect.” The statement, complete with one of its eight footnotes, claims the ACA doesn’t condone mergers that substantially lessen competition. It goes on, though, to reference its own “Horizontal Merger Guidelines” and acknowledge those “expressly recognize that mergers ‘may result in lower prices, improved quality, enhanced service, or new products,’ and that these possible benefits must be evaluated and weighed against potential anticompetitive harm.” Any such benefits must be “merger-specific” to pass FTC and Department of Justice scrutiny.

Warning bell for Ballad?

In its July 6 statement, the FTC didn’t specify its reason for dismissing its complaint in the Huntington merger. It did continue to assert its allegation that the Huntington case produced a combination, “likely to result in loss of
competition that is not outweighed by improvements in quality and cost efficiencies.” It said state-enabled cooperative agreements often protect transactions “that impose harms far exceeding their benefits.” It called the laws, “and any accompanying promises providers may make, no matter how well-intentioned or sophisticated,” an inadequate substitute for “the manifold benefits of competition.”

The statement also questioned the usefulness of separation agreements meant to pave the way for a successful unwinding should a merger eventually be found not to be delivering advantages that outweigh the benefits. The FTC wrote that mergers are difficult to unwind, leaving “no easy remedy if a cooperative agreement fails to deliver its promised benefits.”

In what could be considered at least an indirect message to Tennessee and Virginia, the statement promised the FTC, “will continue to vigorously investigate and, where appropriate, challenge anticompetitive mergers in the courts and, if necessary, through state cooperative agreement processes. Our decision to dismiss the complaint without prejudice does not necessarily mean that we will do the same in other cases in which a cooperative agreement is sought or approved.”

Opinions vary on the matter

Following the FTC’s standing down in the Huntington merger, the American Hospital Association’s general counsel, Melinda Reid Hatton, took the FTC to task for its continued insistence that its traditional merger guidelines apply in the current healthcare climate. “If nothing else, this case should serve as a wake-up call for the FTC to come to grips with how the health care landscape is changing and the proper role competition policy should play in that evolution.”

John Jones III, the judge who made the initial ruling allowing the Harrisburg, Pa. merger, referenced several times in his 26-page opinion the changes the ACA is driving, including the shift to risk-based contracting. Those changes, he wrote, are changing the rules of the game and calling into question previous notions about competition, collaboration, and the need for scale to spread cost of infrastructure for population health over larger systems.

Jones wrote that his decision, “recognizes a growing need for all those involved to adapt to an evolving landscape of healthcare that includes, among other changes, the institution of the Affordable Care Act, fluctuations in Medicare and Medicaid reimbursement, and the adoption of risk-based contracting. Our determination reflects the healthcare world as it is, and not as the FTC wishes it to be. We find it no small irony that the same federal government under which the FTC operates has created a climate that virtually compels institutions to seek alliances such as the Hospitals intend here.”

Of course, the Third Circuit Court saw it another way, and for his part, VAHP’s Gray believes the FTC will step off the sidelines in the Wellmont-Mountain States matter.

“We are pretty confident that there will be a challenge from both the FTC and private companies,” Gray says. “The private companies would be ‘if necessary,’ but the FTC should weigh in sooner. One of the parlor questions for folks participating in this process is, ‘when is the FTC going to weigh in?’ What they’ve said behind the scenes, and a little bit publicly, is that there’s a standard for supervision of a granting of a monopoly through a COPA, and that that standard is constitutionally described by the Supreme Court in an interpretation that needs to be met. That’s why you
hear us say consistently they haven't met that standard. If they don't meet that standard, the FTC will intervene and the court will back up the FTC because the standard hasn't been met."
SVHA Receives Public Input In Lebanon Area

By: Heather Powers

Lebanon High School was the location for a listening session hosted by the Southwest Virginia Health Authority on Monday, Sept. 26.

The Southwest Virginia Health Authority is currently reviewing the completed cooperative agreement application submitted by Mountain States Health Alliance and Wellmont Health System for the proposed merger. The Southwest Virginia Health Authority (SVHA) has a mission given by the Virginia General Assembly “to improve quality of life in the region by enhancing, fostering and creating opportunities that advance health status and provide health-related economic benefits for people of all ages.”

The authority held the Lebanon session as well as one at UVa-Wise on Tuesday, Sept. 27, for the two organizations to present an overview outlining the history of the merger process and some of the commitments they are making as part of the application. The presentations were made by Bart Hove, president and CEO of Wellmont, and Alan Levine, president and CEO of Mountain States.

After months of research and community engagement, Wellmont Health System and Mountain States Health Alliance stated they are prepared to make a series of important commitments and transformational investments in six key areas over the next 10 years to improve health in the region.

- Improve Community Health - We will invest at least $75 million in population health improvements to meet the unique health needs of our region through a 10-year plan to be developed with the community and the public health resources at ETSU.

(See SVHA Page 2A)

Bart Hove, president and CEO of Wellmont Health System and Alan Levine, president and CEO of Mountain States Health Alliance are seen outside Lebanon High School following Monday’s meeting.
SVHA

(From Page 1A)

- Enhance Health Care Services—We will invest at least $140 million to expand community-based mental health services, residential and outpatient addiction recovery programs, and tobacco and substance abuse prevention programs as well as further support children’s and rural health services.

- Expand Access and Choice—We will maintain three full-service tertiary hospitals in Johnson City, Kingsport and Bristol; repurpose some current facilities to develop and enhance access to needed services; and ensure physicians are able to practice where they choose and patients are able to seek care where they choose. All hospitals will remain operational as clinical and health care institutions for at least five years.

- Improve Health Care Value—We will invest up to $150 million to implement a common information technology platform to support the regional exchange of health information, connect our hospitals, physicians and other caregivers to allow the combined system to offer higher quality, more convenient and more cost-effective care for patients.

- Expand Health Research and Graduate Medical Education—We will invest at least $85 million to develop and grow academic and research opportunities, support post-graduate health care training, and strengthen the pipeline and preparation of health professionals in the region.

- Attract and Retain a Strong Workforce—We will offer competitive pay and benefits to attract and retain the best and brightest team members, and combine the best of each organization’s career development opportunities enabling us to become one of the top health system employers in the country.

Public comment was then held where a handful of people spoke. Several local officials were also in attendance, including Virginia Del. Terry Kilgore, chairman of the Southwest Virginia Health Authority, who led the hearing.

The history of this cooperative agreement began in April 2015 when Wellmont and Mountain States announced they felt it was in the region’s best interest to pursue a merger of the two organizations. This followed more than a year of exploration by Wellmont of its strategic options. Wellmont concluded the best plan was to align with Mountain States.

Since this announcement, the two organizations have been working toward a merger and decided since they cross into two states they would pursue in Virginia a cooperative agreement. If approved, this would provide a way to merge with active supervision by the Commonwealth. This application was filed with the authority in February 2016 and the several groups created by the authority analyzed and reviewed it over the last several months. In late August, the authority deemed the application complete and is now in a formal review and awaiting a recommendation to the Virginia Department of Health.

The authority also held a public hearing about the cooperative agreement Monday, October 3rd at the Southwest Virginia Higher Education Center in Abingdon and received written comments from the public in September.
TDOH commissioner: Tennessee will consider any FTC merger input

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Thursday, October 6, 2016
11:56 pm

BRISTOL, Tenn. — Any Federal Trade Commission opposition to a health system merger will be one of many factors the Tennessee Department of Health will consider, its commissioner said Thursday.

Commissioner John Dreyzehner addressed questions about the FTC and other aspects of the proposed union of Mountain States Health Alliance and Wellmont Health System, following a lightly attended public hearing at the Slater Center in Bristol.

Earlier this week, an FTC representative said a year-long staff review concluded that the merger would negatively impact competition and could result in higher costs and diminished quality, during a similar public hearing in Abingdon hosted by the Southwest Virginia Health Authority.

Nobody from the FTC attended Thursday’s hearing and the agency hasn’t filed a similar report with Tennessee officials. The agency has no formal role in either state’s process.

“The Federal Trade Commission has a lot of experience in these matters and their opinion is important and we appreciate their input. We haven’t received it yet,” Dreyzehner said. “But that’s just one piece of the puzzle in terms of what will meet the needs of this region and the state of Tennessee.”

Mountain States and Wellmont officials said the FTC report contains errors and they intend to respond in the next few days.

The systems have applied for a Certificate of Public Advantage in Tennessee and a similar cooperative agreement in Virginia to combine 19 hospitals and 14,000 employees. Officials of both states are currently reviewing the application.
The department must determine whether the likely benefits of the proposed merger would outweigh any disadvantages caused by a potential reduction in competition. Those benefits include improvements in health outcomes, health care costs and access to services.

An FTC representative did address Tennessee officials during a June public hearing in Blountville.

“The Federal Trade Commission, when we were drafting our rules, they came and provided us information. We’ve heard some testimony already, but not to that degree,” Dreyzehner said, referring to a 123-page report filed in Virginia. “I wrote the Federal Trade Commission a letter not long ago asking them some questions. I think we’re quite aware of their position. That will be an important piece of the puzzle, but one piece of it among lots of information we will consider.”

At least two speakers Thursday referenced the FTC report.

“The whole report, from the very beginning, seems to be anti-merger,” said resident and former Wellmont board member Joe Macione. “Every hospital merger or system merger that comes up, they attempt to shut it down. That is the whole thrust of 123 pages they said they worked on for a whole year.”

Dan Pohlgeers, an independent medical practice consultant, said, “Hospital monopolies pose significant risk without comprehensive, vigorous monitoring and enforced rules of conduct and performance.”

Helen Scott, of Healing Hands Health Center in Bristol, Tennessee, said she supports the merger because the clinic has a longstanding relationship with Wellmont.

“We feel like having a local entity support Healing Hands is very important because if an out-of-market acquisition happens, I don’t know where Healing Hands would be. I frankly don’t think we would get as much support,” Scott said.

Dreyzehner acknowledged that the department’s review is ongoing and substantive.

“This is precedent-setting in many ways and we are going through the process of reviewing a completed application. We have 99 days from today [Thursday] to make a decision of whether to issue a Certificate of Public Advantage,” the commissioner said.

He predicted the state agency will use most of that time and continue working with its counterpart in Virginia.

“We’re in regular communication with people in Virginia. We have not formally sat down since the applications were complete. I expect we will. I think dialogue is really important around this process. We’ll certainly have dialogue with the applicants and as we go forward,” Dreyzehner said.
A similar process is underway in Virginia, where the Southwest Virginia Health Authority completed its public hearing earlier this week and the period for accepting written public comments has now closed. The authority has a deadline of November to determine if the advantages of a merger outweigh the disadvantages. Its recommendation will then go to Virginia health officials for review.

The public comment period in Tennessee remains open until next month and a final public hearing is scheduled Nov. 21 at Johnson City’s Millennium Centre.
The Federal Trade Commission has issued a report opposing the proposed merger of Wellmont Health System and Mountain States Health Alliance.

Among the concerns cited in the report is that a lack of competition between the two regional health system giants could create higher costs to patients and lower health-care quality in the region.

According to media reports, the report was issued Sept. 30 to the Southwest Virginia Health Authority and the Virginia Department of Health.

The two Virginia health regulatory agencies had formally requested the FTC to investigate the proposed health system merger before the state agencies made a decision on the deal.

Wellmont and MSHA have business operations in both Tennessee and Virginia; therefore, both states must grant approval to the proposed merger before it can move forward.

Last month, the state of Tennessee ruled that the merger application filed by the two health systems earlier this year was complete.

Tennessee officials are now in the process of reviewing the proposal "to determine whether it ultimately provides a public benefit to Tennesseans," said Tennessee Department of Health Commissioner John Dreyzehner, MD, MPH, in a statement.

The public is invited to provide written comments on the application through the Tennessee Department of Health's website until Nov. 15.

In the report, the FTC cited multiple reasons for its opposition to the health systems' merger.

"The proposed merger presents substantial risk of serious competitive and consumer harm in the form of higher healthcare costs, lower quality, reduced innovation and reduced access to care," the report reads.

"Evidence shows that this harm would not be outweighed by any potential benefits of the merger, nor would it be eliminated or effectively mitigated by regulating the combined entity's post-merger conduct," the report continues.

"Competition is most reliable and effective mechanism for controlling healthcare costs while preserving quality of care, including in rural areas facing economic challenges," the report adds.
The FTC staff concerns cited in the report were based on a year-long assessment of the proposed merger, the report notes.

Virginia has the authority to approve the merger, despite the FTC's recommendation to oppose it. On Tuesday, Wellmont and MSHA leaders issued a joint statement noting that they were not aware of the FTC's opposition to the proposed merger.

"The FTC staff has never communicated with us about the details of their views," the statement reads.

"Had they, we could have pointed out several errors and omissions, which are relevant."

The statement noted that Wellmont and MSHA plan to submit a written response to the FTC's comments to the SW Virginia Health Authority by Oct. 10.

"Without any communication with us whatsoever, we find it impossible to understand how they could have reached their conclusions. Simply put, their letter is full of opinions and speculation," the statement continues.

"We do appreciate the FTC's respect for the long-held doctrine of State Action Immunity, even if the FTC staff's views are significantly out of step with virtually every business leader in our region, many of whom have provided public support for this merger upon their own considered study of the merger and its implications as well as the alternatives. There have been several examples where arrangements similar to what we have proposed have resulted in lower costs to consumers, and high quality.

"Because of this evidence, we know states have a demonstrated capacity for regulating healthcare within their borders. While the FTC has no formal role in the states' decision on granting approval of the merger under state action immunity, the staff of the FTC has been providing written and public comment throughout this process expressing their views and advocacy that Mountain States and Wellmont should pursue other options, such as an out-of-market merger with systems based elsewhere," the statement says. "They hold this view in spite of documented evidence demonstrating that out of market mergers like the type the FTC is advocating often lead to higher pricing and would not be good for our region."

To comment on the Tennessee Department of Health's website regarding the proposed merger between Wellmont and MSHA, go to http://tn.gov/health/article/certificate-of-public-advantage-how-to-comment.

A copy of the 123-page FTC report can be viewed online at:
https://www.ftc.gov/system/files/documents/advocacy_documents/submission-ftc-staff-southwest-
Public hearing positive for hospital merger even after FTC opposition

By: Jess Cartwright
Posted: Oct 06, 2016 11:36 PM EDT
Updated: Oct 06, 2016 11:36 PM EDT

Public hearing positive for merger...
BRISTOL, Tenn. - After a bombshell from the Federal Trade Commission opposing the proposed merger between our two major health systems we went to tonight's public hearing to find out if the merger is in jeopardy.

No one at tonight's meeting voiced opposition to the merger, but the opinion of the Federal Trade Commission is that the merger would be a mistake. One local businessman spoke out saying it's crazy to suggest that the merger shouldn't go through.

Wellmont Health System AND Mountain States Health Alliance announced plans to merge over a year ago, and hope to make it final in early 2017.

"We think it will lower costs to consumers, and provide high quality care,” said Helen Scott, from Healing Hands Health Center. “Also it will just keep, we will not have an out of market acquisition."

But the Federal Trade Commission says the merger would do more harm than good. They say by creating a monopoly, it could force health care prices to go up.

"We're quite aware of their opinions and their positions, and as I said, that will be an important piece of the puzzle,” said John Dreyzehner with the Tennessee Department of Health. “One piece of input among lots of input that we'll be considering and discussing as we go forward."

Leaders from both hospital systems insist a merger would actually help keep costs down. They say prices could go up some, but not as much as if a bigger health corporation swooped in to buy-out one or both health care systems. Under local control they say they can invest in issues that matter in the region, like access to care, obesity, and Opioid abuse.

"By combining our resources to serve our region most effectively, we will have a tremendous impact on the health of our region,” said Greg Neal, from Bristol Regional Medical Center. “Leading people to live healthier and more productive lives."

The Federal Trade Commission’s report was made to regulators with the Virginia Health Authority, who is also looking in to the pros and cons of the merger.

State delegate Terry Kilgore chairs that authority, we asked him if this could halt the merger.

"The FTC has the ability to file suit in federal court under the Clayton act, the anti-trust act, to say that it's anti-consumer," said Kilgore.
Kilgore is arranging for federal trade commission officials to meet with the health authority later this month.

There is one final public hearing in Johnson City on November the 21st. You can also submit your comments online or by email. Go to http://tn.gov/health/article/certificate-of-public-advantage-how-to-comment for more information.
COPA HEARING

Merger draws support during Bristol COPA hearing

ZACH VANCE • UPDATED OCT 7, 2016 AT 12:41 AM
zvance@johnsoncitypress.com

BRISTOL, Tenn. — It appeared a Federal Trade Commission staff report criticizing Mountain States Health Alliance and Wellmont Health System’s merger plan had little effect on those who addressed Tennessee Department of Health officials on Thursday during a Certificate of Public Advantage public meeting at the Slater Center.

It might have done quite the opposite.

Only six people spoke during the brief hour-long meeting, and no one with the FTC was present.

Among those were Joe Macione, a former Wellmont board chairman, who criticized the FTC staff’s report.

“I think (the FTC staff) had it in their mind in Washington, D.C. ... I think this is bureaucracy at its finest in this report. I think they started out with the intent of denying the merger, and I think they crafted a report, which took over a year according to them, to prevent the merger,” Macione said.

Greg Neal, president of Bristol Regional Medical Center, told officials it would be difficult to continue providing superior health care to people in the area without the merger.

“We serve a vision for a healthier tomorrow in East Tennessee and Southwest Virginia. But we understand that on our own, that we are incapable of making that vision a reality. It requires an approach that benefits from the synergy of collaboration,” Neal said.

The only speaker who didn’t outright approve of the merger was Johnson City resident Dan Pohlgeers, who cited several FTC staff comments submitted to the Southwest Virginia Health Authority on Monday.

“I don’t think (the FTC staff’s public document) really changed my opinion (on the merger) either way. I’ve kind of always felt that if you’re going to have this, you’re basically having a state action immunity from antitrust, that is what a COPA is, and if you’re going to have that type of situation, you have to have some sort of regulation and oversight from the state,” Pohlgeers said.

“There has to be protections in place to continue to do the things they claim (they want to do).”

After the public comment section, John Dreyzehner, commissioner of the Department of Heath, admitted the FTC has plenty of oversight experience when it comes to mergers.

“I think their opinions are important and we appreciate their input. We haven’t received (input) in Tennessee, yet, as we know,” Dreyzehner said. “We’ll take a closer look at it, but that’s just one piece of the puzzle in terms of what is going to meet the needs for this region and the state of Tennessee.”

Dreyzehner said the Department of Health is quite aware of the FTC staff’s opinions and stance on the merger. Dreyzehner also said his department had been in contact with the Southwest Virginia Health Authority, who is going through a similar process.
“We’re in regular communication with people in Virginia. We have not formally sat down yet since the applications were declared complete,” Dreyzehner said. “I expect that we will. I think dialogue is really important around this process.

The Department of Health has 98 days to approve or decline Mountain States and Wellmont’s COPA, and Dreyzehner said it would likely take most of that time. The Southwest Virginia Health Authority’s decision will be due sometime in November.

The next public hearing will be at Johnson City’s Millennium Centre on Nov. 21 beginning at 5:30 p.m.
SWVa. health authority to meet with FTC

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Monday, October 10, 2016 11:47 pm

Members of the Southwest Virginia Health Authority board will meet with the Federal Trade Commission next week to discuss the proposed merger of Mountain States Health Alliance and Wellmont Health System.

Last week, the federal agency was sharply critical of the proposed merger in a 123-page written report and comments made during a public hearing Oct. 3. The meeting, which is open to the public, is scheduled Oct. 26 at 3 p.m. at Abingdon’s Southwest Virginia Higher Education Center.

The FTC staff report claims the proposed merger “presents substantial risk of serious competitive and consumer harm in the form of higher health care costs, lower quality, reduced innovation, and reduced access to care.”

It was submitted to the health authority, which must make a recommendation about the cooperative agreement plan and to state Health Commissioner Marissa Levine. The Tennessee Department of Health is conducting a similar process, but has not received the commentary from the FTC.

The federal agency has no direct role in the approval process of Virginia and Tennessee, but can seek an injunction or file a lawsuit if it deems a merger would be harmful.

Health Authority board Chairman Terry Kilgore said Monday he met with FTC officials earlier this year, prior to the report’s issuance, but this meeting will offer the board a chance for some dialogue.

“This will give us a chance to ask them questions about specifics in their report,” Kilgore said Monday. “I think they didn’t take a lot of things into consideration and a lot of the work that the health authority and its subcommittees have done.”

Kilgore said he doesn’t understand some of the report’s conclusions.

“I don’t know what proof they [FTC] have that costs will go up like they say,” Kilgore said. “Prices have been going up for the last four to five years - more than they say. At least we were able to get an agreement that would limit price increases – and that benefits everyone.”

Last week, MSHA and Wellmont issued a joint statement claiming the report contains errors. The health systems are expected to submit a response to the health authority this week.

“Without any communication with us whatsoever, we find it impossible to understand how they [FTC] could have reached their conclusions. Simply put, their letter is full of opinions and speculation,” according to the statement.

They also challenged an FTC assertion that the region would be better served if one or both merged with health systems based elsewhere.
“They hold this view in spite of documented evidence demonstrating that out-of-market mergers like the type the FTC is advocating often lead to higher pricing and would not be good for our region,” according to the response. “Further, we also know that out-of-market acquisitions of hospitals like ours result in millions of dollars in synergies – synergies which would benefit the acquiring system at the expense of our local communities.”

The report claims Mountain States currently has 42.2 percent of the current 21-county Southwest Virginia and Northeast Tennessee market while Wellmont has 28.9 percent, based on 2014 commercial patient discharge records.

The FTC further asserts that loss of competition would outweigh any other benefits. It also claims a merger would make it more difficult for health insurers to negotiate payment and service arrangements.

“Competition between Mountain States and Wellmont greatly benefits area employers and residents. It enables health insurers to negotiate lower hospital reimbursement rates [i.e., prices] on behalf of their customers, which reduces the prices that area employers and residents must pay in premiums, copayments, deductibles, and other out-of-pocket expenses. That competition also improves healthcare quality, availability of services and new healthcare technologies, and other non-price factors as the two compete to attract patients to their respective systems. As a result, area employers and residents – commercially insured, those covered by Medicare and Medicaid, and the uninsured – have benefited from this competition,” according to the report.

The report’s findings contradict the comments offered by area business and government leaders and heads of the region’s chambers of commerce who say the merger would save them money.

It also questions commitments made by Mountain States and Wellmont to invest $450 million over 10 years into a variety of programs to improve the region’s health.

“They attempt to mitigate potential adverse effects on prices and quality by proposing several commitments that they assert would restrict their post-merger pricing and contracting behavior, and ensure quality improvements. However, their proposed commitments would prove difficult to implement, monitor, and enforce, and would not replicate the benefits of competition. The price commitments could even result in higher prices than might otherwise occur in a competitive market,” it states.
Health authority receives new commitments from health systems

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Wednesday, October 12, 2016 11:42 pm

ABINGDON, Va. — Health care costs would drop for a “majority of consumers” in the first fiscal year of a new merged health system under new, expanded commitments to the Southwest Virginia Health Authority.

The authority’s board received its first look Wednesday at a 16-page draft document containing 33 separate commitments negotiated during the past two weeks with Mountain States Health Alliance and Wellmont Health System. The two systems are seeking state approval in both Virginia and Tennessee to combine operations as Ballad Health Care.

“Pricing will increase by less with the merger than if the merger were not to occur,” according to the first commitment. “For all principal payers, the new health system will reduce existing commercial contracting for fixed rate increases by 50 percent for the second full year commencing with after the closing date of the new health system.”

That is in addition to a commitment to restrain pricing growth to below the national hospital consumer price index, setting a ceiling of increases of not “more than the medical care consumer price index minus 0.25 percent.”

The estimated annual savings for the two commitments is $10 million annually, according to the document.

The authority’s goal, Chairman Terry Kilgore said after the meeting, is to provide concise language about what each commitment does and how it could be measured and verified.

“I think it really is to give comfort to our board on each commitment and here is how we measure it, because we needed more details,” Kilgore said. “It’s easy to determine if money’s been spent but how do you measure improving health in a certain area? I think we’ve come up with a collaborative model where we could work with the new system to meet the goals, should we approve that advantages outweigh the disadvantages.”

SWVA Health Authority 04
Southwest Virginia Health Authority Chairman Terry Kilgore discusses a public meeting on the proposed health merger in this file photo taken in Abingdon.
The draft document retains all of the health systems’ previously described commitments to invest $450 million into regional health efforts over 10 years and not close a facility in the first five years of joint operation.

It also would assure that three representatives from Southwest Virginia would receive seats on the merged system board of directors.

Other commitments are designed to minimize adverse impacts to insurance companies and physicians not affiliated with either system; hasten implementing a universal patient information system; ensure care for low income patients; enact a severance policy should any employees be terminated due to the closing of a facility or directly related to the merger; and develop a 10-year plan for specific investments in research.

“The staff has been pushing for a measuring tool that you all talked about during your meetings, to measure the progress,” authority attorney Jeff Mitchell told board members. “There is a separate document that tries to articulate how those reporting mechanisms might work and attempts to put the commitments in categories.”

Kilgore said the new language may address some of the issues raised last week by the Federal Trade Commission, which filed a staff report opposing the merger.

The health systems are preparing their response to FTC concerns and have until Friday to file it with the authority. A representative of the FTC dialed in via conference call to monitor the meeting.

Authority officials expect to finalize all of the language prior to their Oct. 26 meeting with the FTC. The authority board is scheduled to reconvene the following day to deliberate details of the merger.

Representatives of each health system said this part of the process has been intensive.

“We recognize the substantial amount of work and dedication the authority has put into this review and the very thoughtful way they looked at the commitments and provided feedback,” said Todd Norris, Wellmont’s senior vice president of system advancement. “It is absolutely clear this group is incredibly committed to the future of Southwest Virginia and making sure that the commitments reflect what is in the best interest of the region.”

Tony Keck, senior vice president and chief development officer at MSHA, said, “We think this makes the commitments stronger and more clear — measurably so. It’s been a very thorough last several set of meetings.”

Ironing out the language and finalizing the commitments will be significant steps, Kilgore said, before the board meets later this month to begin weighing the pluses and minuses of the proposed merger. It has until Nov. 9 to make a recommendation to the Virginia Department of Health.

“We had a lot of discussion about the state Health Department’s role in making sure they are the police of this agreement — for lack of a better word — and what the authority’s role should be moving forward,” Kilgore said. “We felt the authority should be more collaborative to make sure we are improving health and opportunities to address certain issues. Making sure we have specialty services in some areas.”
If approved, plans also call for creation of a new entity to help oversee a merged system comprised of one representative from each system and two members of the Health Authority board.
Health systems respond to FTC

By: Brent Fox
Posted: Oct 15, 2016 08:45 PM EDT
Updated: Oct 15, 2016 08:45 PM EDT

Mountain States Health Alliance and Wellmont officials have responded to the comments the Federal Trade Commission made concerning their application to merge.

In September, the FTC submitted a letter to the Southwest Virginia Health Authority. The FTC claims a merger would end up increasing cost along with other concerns.

The systems released a 39 page response to the Health Authority who is in the process of reviewing the application. The systems claim the FTC's comments lack merit and do not overcome the compelling reasons to be granted a cooperative agreement.

You can read the full response here:

PDF
Response to FTC Comments Submitted to SWVHA_20161015203554
After drawing criticism from Federal Trade Commission staff regarding its merger, Mountain States Health Alliance and Wellmont Health System officials have countered with a response of their own.

On Friday, the two health care entities issued a 53-page response articulating that the FTC staff comments on the parties’ cooperative agreement were “speculative and unsupported.”

“The Virginia Legislature has clearly articulated and affirmatively expressed a policy for Southwest Virginia to supplant competition with regulation for mergers that meet the statutory requirements of the Cooperative Agreement Law, which specifically identifies rural patients as targeted beneficiaries of this policy,” the document reads.

“(The FTC) staff clearly believe that the Commonwealth’s policy for improving healthcare conditions in the rural communities of Southwest Virginia is in error.”

The response also attests that the FTC’s disagreement with the state’s cooperative agreement procedure has “no significance in this proceeding and should be discarded on its face.”

After a year reviewing the merger, the FTC staff submitted public comment on Sept. 30 requesting the Authority deny the merger. The federal agency staff claimed the merger would not benefit consumers and would be a “near-monopoly” between Mountain States and Wellmont.

“The proposed merger presents substantial risk of serious competitive and consumer harm in the form of higher healthcare costs, lower quality, reduced innovation, and reduced access to care,” the written FTC comment states.

Mountain States and Wellmont’s response routinely refers to supportive comments from local businessmen, government leaders and residents approving the merger, as well as the U.S. Supreme Court ruling that federal antitrust laws do not apply to states acting in their sovereign capacities. Such is the case with the cooperative agreement enacted by the Virginia General Assembly.

Another mention in the response is a similar case in West Virginia, in which the West Virginia Health Care Authority rejected the FTC staff’s arguments and approved the merger of two hospitals under a similar state law that shields the state from federal antitrust scrutiny. The FTC declined the file a suit or seek injunction in that case.

After receiving the staff’s input, the Authority will meet with the FTC staff on Oct. 26 at 3 p.m. at the Southwest Virginia Higher Education Center.

“We’ll meet with them to ask them about their concerns and talk to them about what we believe addresses those concerns,” said Terry Kilgore, chairman of the Southwest Virginia Health Authority. The FTC has yet to involve itself in Tennessee’s certificate of public advantage process, which is simultaneously underway.
In addition to the response to the FTC staff comments, Mountain States and Wellmont submitted a draft of 33 commitments to the Authority on Oct. 12 that it would abide to pending the approval of the merger.

“The updates to our commitments presented (Oct. 12) represent several productive discussions between our organizations and representatives of the Southwest Virginia Health Authority,” a joint statement read. “What was presented to the Health Authority remains a work in progress and is subject to further revision.”

Most notable were the first two commitments: The first, that pricing will increase by less during the first full year with the merger than if the merger were not to occur; the second, that a limit would be placed on prices each subsequent year to restrain pricing growth to below the national hospital consumer price index.

The estimated annual savings to consumers would be $10 million in lower health care costs annually.

Kilgore said he believes some of the Mountain States and Wellmont commitments address concerns mentioned by the FTC staff.

“I think they do, especially on the competition side, on pricing for example. Not going to go up as high as some of national averages on hospital charges and things of that nature. So I think they do show that we will be a little more competitive,” Kilgore said.

“We’re thinking (the commitments) might alleviate some of the (FTC staff) concerns. I mean do we think we’ll get all their concerns? I doubt it. Historically, the FTC files paperwork against these types of mergers,” Kilgore said.

Other commitments included mentions of investing in physician training, continued collaboration with local academic institutions and addressing differences in salaries and pay rates.

As far as committing to keep facilities open, “all hospitals in operation at the effective date of the merger will remain operational as clinical and health care institutions for at least five years.”

“I think these commitments solidify the whole process. We get more detailed information on how they expect to invest in certain areas, what they’re going to do to address certain health concerns, how much money they’re going to invest in research and development and things of that nature,” Kilgore said.

“The Commission of Health in Virginia will have the big hammer (to hold them accountable). And the hammer to make them do that would be to say that, ‘We’re splitting you up. You’re not abiding by your agreement. We got to split you back up,’” Kilgore said.

The FTC staff stressed in its public comment the difficulties in splitting up the merger, if approved, and criticized the entities’ plan of separation.

The Authority will have to make a recommendation by Nov. 9, but Kilgore hinted that on Oct. 27 a decision would try to be made.

Using the Authority’s recommendation, the Commissioner of the Virginia Department of Health will have the final authority to approve or deny the merger.

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Health systems urge health authority to reject FTC arguments

DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Wednesday, October 19, 2016 12:17 am

Two area health systems are urging the Southwest Virginia Health Authority to reject the Federal Trade Commission’s opposition to its proposed merger.

Writing in a brief filed Oct. 14, officials of Mountain States Health Alliance and Wellmont Health System claim FTC staff objections “are not relative” to joining this region’s hospitals and health care workers. Officials in both Virginia and Tennessee are currently evaluating the merger plan, which involves a cooperative agreement in Virginia, a Certificate of Public Advantage in Tennessee and ongoing oversight by each state.

“With the length of the FTC’s written public comment, the authority granted the applicants additional time to respond to the FTC’s comments so the authority and the public would have the benefit of a comprehensive response,” health authority Chairman Terry Kilgore said in a written statement.

During a public hearing earlier this month, a member of the federal agency’s staff voiced objections to the proposed merger, claiming it would diminish competition, result in higher rates and could negatively impact health care.

“[FTC] Staff try to make their case against approval of the parties’ application by arguing that the merger is anticompetitive under a traditional antitrust analysis,” the 53-page response states. “This antitrust focus is misplaced and ignores the very reason the parties are seeking active state supervision. The merged health system would operate in a regulated program that places strong constraints on any attempted exercise of market power.”

The health systems also claim the states can make this decision without the federal agency, which it claims is biased against all mergers.

“Staff’s disagreement with Virginia’s public policy choices has no significance in this proceeding and should be discarded on its face. The Virginia General Assembly’s decision to enact the Cooperative Agreement Law is solely within the purview of Virginia.”

The response cites a recent action by the West Virginia Health Care Authority to approve a merger of two hospitals while rejecting similar opposition from the FTC.

The response also claims the FTC staff erred in its assumptions about commitments to limit rate increases and that its claims about quality of care and access to care aren’t properly supported.

“The staff’s submission is premised on the mistaken belief that the current relationship between the parties provides adequate health care services to address the critical health needs of the diverse and largely rural population in the region and that the $450 million in additional health care investment and other commitments by the parties are not needed in this region,” according to the document. “As the West
Virginia Health Care Authority recently asserted in rejecting similar arguments by the staff in the Cabell Huntington cooperative agreement, this application is not a federal antitrust matter but an important issue of state public policy with oversight and supervision by state authorities focusing on improving health care for a local population with significant needs.”

The authority board is scheduled to meet with members of the FTC staff Oct. 26 and then reconvene Oct. 27 to begin consideration of the merger application. Both meetings are scheduled at 3 p.m. at the Southwest Virginia Higher Education Center in Abingdon.

“We plan to provide an opportunity for public comment at the beginning of the meeting on the 27th should anyone wish to comment on the applicant’s response to the FTC,” Kilgore said.
Authority delays action on proposed health merger until November

DAVID MCGEE | BRISTOL HERALD COURIER | Updated 3 weeks ago

ABINGDON, Va. – A vote on the proposed merger of two local health systems will now occur next month.

The Southwest Virginia Health Authority adjourned its meeting Thursday at 7 p.m., following four hours of presentations, discussion and questions regarding the cooperative agreement request of Mountain States Health Alliance and Wellmont Health System. The authority is now scheduled to reconvene Nov. 7 and expected to vote at that time. By statute, it has until Nov. 9 to make a recommendation to the Virginia commissioner of health or request a two-week extension.

Thursday’s meeting followed a nearly three-hour session Wednesday with members of the Federal Trade Commission staff, who are recommending against the merger. The FTC says a merger would be bad for competition, would likely increase costs and diminish the quality of care.

Three FTC attorneys attended Thursday’s session at the Southwest Virginia Higher Education Center.

“We requested information from the Federal Trade Commission to answer some of our questions so I think it would not be wise to go forward without letting the members read that information,” authority Chairman Terry Kilgore said. “Over the last two days, we’ve gotten all kinds of information. Hopefully, over the next 12 days everybody can look at that and make their determination.”

Heads of both health systems made presentations to the authority Thursday, addressing concerns raised by the FTC and reiterating their assertions that combining the two systems makes the most sense for maintaining and improving health care in the 22 counties of Southwest Virginia and Northeast Tennessee.

“We’re pleased to get before the authority today and address several of the questions that have been raised by the FTC yesterday and having them in the room today gave us additional opportunity to share – for the first time – first-hand our responses to the concerns that have been raised,” Wellmont CEO Bart Hove said after the meeting. “I think we’re all pleased the authority is taking their time and going through a dutiful process so they thoroughly investigate the implications of the merger. Even though it takes a little longer to come to conclusions but it gives us time to answer any additional questions.”

Hove said the applicants would have welcomed a vote but are happy to follow the process. Wellmont and Mountain States submitted its joint application in mid-February and the Health
Authority began its review in March. However, the two systems have been formally working toward this point since early 2015.

The authority’s hired consultants -- Richard Brownlee and Tom Massaro from the University of Virginia and retired attorney Dennis Barry, whose practice specializes in health care -- presented a detailed, positive recommendation of the merger application.

“I believe it’s possible the good that could come out of this merger is worth the effort of managing and, in fact, restricting competition in this environment,” said Massaro, the former chief medical officer of the UVa Medical Center. “I’ve seen balances between competition and regulation of competition worldwide. In general, when they’re managed well, they can be extremely beneficial to the population. … This merger can deliver public health benefits to this community that will not be available in any other way.”

Mountain States CEO Alan Levine said they welcomed the consultants’ comments.

“The point of the law is trading competition for regulation and I think what we heard tonight was the experts the authority has hired have come to the same conclusions we have as to the benefits,” Levine said.

The authority is charged with weighing any possible benefits of a merger versus possible disadvantages. If it favors the merger, it will make a recommendation that health Commissioner Marissa Levine approve the cooperative agreement. If the authority rejects the merger request, the process ends, authority Counsel Jeff Mitchell said. The decision ultimately rests with the commissioner, who can make changes to specific parts of the agreement.

The FTC will remain involved in an advisory role but not in a decision, unless it opts to seek an injunction to stop any merger.

The authority’s next meeting is scheduled to begin at 4 p.m. Nov. 7 at the Southwest Virginia Higher Education Center.

Tennessee Commissioner of Health John Dreyzehner’s office is currently reviewing the same merger application under that state’s Certificate of Public Advantage statute. Its final public hearing is scheduled Nov. 21 at the Millennium Centre in Johnson City. It must decide whether to approve or reject the merger request by mid-January.

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Southwest Virginia Health Authority postpones vote on Mountain States, Wellmont merger recommendation

ZACH VANCE • OCT 27, 2016 AT 8:45 PM
zvance@johnsoncitypress.com

The suspense will linger a little longer.
Four hours into Thursday’s Southwest Virginia Health Authority meeting, and attorney Jeff Mitchell advised Authority members to wait 10 days before voting whether to recommend a cooperative agreement between Wellmont Health System and Mountain States Health Alliance.
If approved, the Virginia Commissioner of Health would then make the ultimate decision on the merger.
“I was sitting back there and realized that in the past 24 hours, we’ve all spent something like seven of them dealing with this issue,” said Mitchell.
Southwest Virginia Health Authority Chairman Terry Kilgore said the Authority was missing information from the Federal Trade Commission, and he wanted to wait to make a decision until all of it was submitted.
“I think it would be unwise to go forward (with the vote),” Kilgore said.
On Wednesday, the Authority listened to a presentation detailing why FTC staff opposed the merger.
Thursday’s meeting allowed Wellmont CEO Bart Hove and Mountain States CEO Alan Levine to directly respond to some of the federal agency’s concerns.
“Having (the FTC staff) in the room today gave us additional opportunity to share first-hand for the first time our direct responses to some of those questions and concerns that have been raised,” Hove said.
During Levine’s presentation, he directly addressed what would happen to pricing if the Authority denied the merger.
“It is accurate to say that pricing will go up more if (the) merger is not approved. (Pricing) drops if the merger happens and goes up more if it doesn’t,” Levine said.
“What is being proven is that in Southwest Virginia, there is a better way to try to bring resources to bear that otherwise would not be available. There is a real gap in mental health services available, (and) we’re making commitments to make sure that emergency services are provided everywhere throughout the region. We’re also making commitments to spend $140 million on expanding specialty care access and investing in residential addiction treatment.”
Levine said those specific commitments negotiated by the Authority and health systems were hardly vague, as the FTC staff had said in its public comment.
Stephanie Wilkinson, attorney for the FTC, said the staff still disagreed with the statements offered by Levine and Hove.
“At our meeting, that we held with the Authority yesterday, the FTC staff reaffirmed the information contained in our public comment and answered questions posed by the Authority members,” Wilkinson said.
“Although it does appear that Mountain States and Wellmont have revised their proposed commitments, perhaps partly in response to the FTC staff comments, we continue to believe that they would be difficult to implement, enforce and monitor. We don’t believe (the commitments) would replicate the benefits of competition.”
Wilkinson said the FTC still recommends the Authority deny the cooperative application.
“As has been stated publicly, the FTC does have a non-public investigation opened into this matter and that does continue,” Wilkinson said.
Hove did admit that he was hoping for a vote on Thursday night, but he said he was pleased the Authority was considering all the factors related to the decision.
“We certainly would have liked a vote, but again, I think that we’re very pleased that the staff is taking their time and the Authority is taking their time to get to the right answer, ultimately to pass that along to the commissioner,” Hove said.
Kilgore said the next meeting will likely last about an hour, as the Authority weighs the advantages and disadvantages of the merger before taking a vote.
The Authority will meet again on Nov. 7 at 4 p.m. at the Southwest Virginia Higher Education Center.
FTC, Wellmont and MSHA speak in front of SWVa. Health Authority

By: Tiana Bohner
Posted: Oct 27, 2016 10:45 PM EDT
Updated: Oct 27, 2016 10:45 PM EDT

SWVa. Health Authority hears from...
The FTC first stepped in, back in June, appearing at a Tennessee Health Department public hearing.

On Wednesday, FTC staff members presented their concerns about a monopoly to the Southwest Virginia Health Authority. That's the board tasked with approving the merger application in Virginia.

On Thursday, Mountain States and Wellmont had the chance to respond to the FTC's concerns, in front of the health authority board.

After nearly four hours of discussion, the Southwest Virginia Health Authority said it wanted more time to make a decision.

"We certainly would've liked a vote," Wellmont CEO Bart Hove said. "But again, I think we're very pleased that the staff is taking their time, and the authority is taking their time to get the right answer."

At Thursday's meeting, FTC staff members stood firm.

"We do not believe that the purported benefits of the cooperative agreement outweigh the disadvantages of eliminating competition," FTC attorney adviser, Stephanie Wilkinson said.

But Mountain States CEO Alan Levine said there would still be competition in the region.

"In Pikeville, Kentucky, they're very aggressive in fact, in terms of coming into the Norton, Wise County market," Levine said.

And he said the two systems cannot be competitive apart.

"We're putting very specific dollars on the table and those dollars wouldn't be available but for this merger," Levine said. "They just simply wouldn't be."

That leaves both Tennessee and Virginia to decide if this merger is the best and only option.

Meanwhile at the federal level, the FTC has opened its own investigation. But right now, staff members can only offer limited details.
"The FTC does have a non-public investigation opened into this matter and that does continue," Wilkinson said. "Whatever happens at the state level, the commission would evaluate and decide whether or not to challenge the merger or take some other action."

The Southwest Virginia Health Authority will meet again on November 7th. They must make a decision by the 9th. In Tennessee, there will be one more public hearing in Johnson City on November 21st. The FTC does also plan to speak at that meeting.
FTC not backing down on opposition to merger of Mountain States, Wellmont

By Allie Hinds Published: October 26, 2016, 11:11 pm Updated: October 27, 2016, 9:58 am

ABINGDON, VA (WJHL) – Representatives from the Federal Trade Commission were in Abingdon on Wednesday, asking questions about a proposed hospital merger deal.

For months, the FTC has made it clear they think the states of Tennessee and Virginia should not give permission to Mountain States Health Alliance and Wellmont Health System to merge into a single new company.

The FTC said the merger would create a monopoly that could have a negative impact, a claim the former rival companies deny.

The federal agency in charge of protecting American consumers sent four staff members to Abingdon Wednesday to communicate the agency's concerns.

This meeting comes the day before the Southwest Virginia Health Authority plans to meet to decide what to recommend to the Virginia Health Commissioner about the merger. The authority must decide in the next two weeks.

"We're going to be weighing, our goal our job tomorrow is to start weighing the advantages and the disadvantages now if we get through all of it tomorrow I don't know," Virginia Delegate Terry Kilgore said. He is the chairman for the Southwest Virginia Health Authority.

As it gets closer to that deadline, FTC is not backing down on their opposition to the merger.

"They tend to look at it only through the lens of competition and of disregarding every other factor that might be involved," Todd Norris with Wellmont said.

Stephanie Wilkinson, attorney advisor for the FTC said competition between Mountain States and Wellmont has benefited this region, provided lower prices, and improved quality.

"We believe that eliminating this competition would undermine rather than advance the health policy goals that have been articulated by the Southwest Virginia Health Authority," Wilkinson told News Channel 11.

Mountain States and Wellmont leaders, now say joining forces is their only option.

"There are no viable out of market mergers on the table to be considered," Norris said.

During the meeting, Kilgore asked if the FTC has looked at the unique challenges of our region.

"Some of our counties, if you lose the hospital you're driving an hour," Kilgore said.
FTC staff said they are aware of the local challenges, but it doesn’t make competition any less important.

Another concern, FTC staff said the commitments laid out in the systems’ application to merge are too vague and not enforceable.

“The FTC actually mentioned a lot of things that were pretty hypothetical in their assessment of the merger where as the commitments that we’re making are very clear, we will do them, and they’re very enforceable,” Norris said.

“I’m not sure that they had the most recent set of commitments that we had because we did we spend an entire day going through the commitments and really ramping those commitments up so I think we had already addressed a lot of those concerns,” Kilgore said.

As far as the FTC’s role in if the merger goes through, “They’re going to have a lot of say and a lot of impact moving forward,” Kilgore said.

The Tennessee Department of Health also has to decide on the hospital merger plan.

The final public hearing on the merger in Tennessee is set for November 21st in Johnson City.

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ABINGDON, VA (WJHL) – The Federal Trade Commission was in the Tri-Cities Thursday to say why it opposes the merger between Mountain States Health Alliance and Wellmont Health System.

The FTC met with the Southwest Virginia Health Authority, the group responsible for Virginia’s oversight into the proposed merger. The authority decided to postpone Thursday’s meeting until next month.

Thursday we heard from FTC staff for the first time one on-one-on their opposition to a potential hospital merger recommendation to the Virginia Commissioner of Health.

This as MSHA and Wellmont continue to fight for a merger they say is crucial to our area’s healthcare future.

The bottom line message from FTC staff to members of the SWVA Health Authority. While the authority legally can give permission for MSHA and Wellmont to merge, they should not.

“We do not believe that the proported benefits of the cooperative agreement outweigh the disadvantages of eliminating competition,” Attorney for the FTC Office of Policy Planning, Stephanie Wilkinson said.

The SWVA Health Authority now has nearly two more weeks to absorb information and comments from both Health System CEOs as well as FTC staff as they work on a potential recommendation to the Virginia State Health Commissioner.

“Even though it takes a little bit longer, to come to their conclusion it certainly gives us additional time to answer any further questions that they may have,” CEO of Wellmont Health System, Bart Hove said.

At Thursday’s meeting the authority spent time listening to the commitments laid out in the application.

“We’re making commitments to make sure emergency services are provided everywhere throughout the region, we’re making commitments to spend $140 million in expending specialty care access,” CEO of Mountain States Health Alliance, Alan Levine said.

Commitments that the FTC staff still feel are vague and unenforceable.

“We continue to believe that they would be difficult to implement, enforce and monitor and we don’t believe they will replicate the benefits of competition,” Wilkinson said.
Levine said the commitments are hardly vague repeating what he’s said from the start that merging will improve local health care.

“An out of market acquisition of either of our health systems will result in more job losses and higher prices,” Levine said.

The authority plans to meet November 7th and they have until the 9th to decide whether to move forward with a recommendation.

It is unclear if the FTC will be at the November 7th meeting. The final public hearing on the merger in Tennessee is coming up on November 21st in Johnson City.

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A representative of a nationwide organization for independent physicians spoke out against the proposed merger between Wellmont Health System and Mountain States Health Alliance Monday, saying a joining of the region’s two hospital systems could force non-affiliated doctors to sell their practices or leave the area. Marni Jameson Carey, executive director of the Association of Independent Doctors, accused health system executives of “playing a shell game,” in which they claim the merger will increase operational efficiency, but will actually cause health care costs to increase and limit patients’ choices of physicians. She said independent medical professionals in the community have contacted the organization for help, but are worried speaking publicly against the merger could have negative effects on their careers. “When hospitals start buying up independent physician groups, when they dominate a community, some physicians feel they only have one choice unless they want to relocate their practices,” Carey said. “If they want to stay independent, it can be difficult, because, if the system tries to buy them and they resist, the system might bully them.” In some cases, she said, hospital systems could assign the independent physicians unfavorable operating room times in an attempt to cause patient dissatisfaction, or could recruit other doctors in their specialties to siphon patients away. When employed by hospitals, physicians are sometimes pressured to encourage patients to undergo unneeded testing or procedures to bring in more revenue and improve system metrics, she said. Even comparing two similar procedures, one conducted at a hospital’s outpatient department could be more expensive than in a freestanding doctor’s office, because hospital systems charge facility fees to cover operational expenses for which they aren’t reimbursed. The two systems’ answers to charges of cost increases for services should the merger be allowed are to point to their applications for state regulatory approval in Tennessee and Virginia, which propose caps on price increases tied to the national consumer price index. The applications, for a certificate of public advantage, or COPA, in Tennessee and a cooperative agreement in Virginia, also describe the systems’ market share for hospital and outpatient services. In an emailed response Monday afternoon, the health systems’ executives detailed their dedication to the area’s independent doctors. “Wellmont and Mountain States have worked closely with independent physicians throughout the merger process and have used their feedback to craft commitments that benefit independent physicians,” the statement read. “It is important to note several independent physicians are serving on the Integration Council and the Joint Board Task Force as we proceed with the merger. “U.S. AID is a Florida-based business organization, and its membership includes only one physician in Tennessee and none in Virginia. In fact, their membership represents less than one-tenth of one percent of physicians nationally. In contrast, Mountain States and Wellmont have developed longstanding relationships with thousands of physicians in our area. U.S. AID cannot possibly understand the fabric of our region and our unique needs, and their statements about our intentions and plans are incorrect.” According to the application data, about 70 percent of all practitioners within the geographical area served by the two systems are independent. Wellmont directly employs 9 percent, Mountain States employs 17 percent and 4 percent are affiliated with Mountain States through arrangements for certain hospital-based services. The proportion of independent doctors in most specialties is at least 50 percent, according to the systems’ documentation. “Both Wellmont and Mountain States continue to value a robust and successful independent physician community,” the applications, filed in February, state. “The New Health System intends to collaborate where
possible with the independent physician community in procompetitive arrangements to build an array of service offerings that will be accessible throughout the region.”

In the COPA documents, health system leaders pledge to maintain open medical staff at all facilities, to not engage in exclusive contracting for physician services (except for hospital-based physicians), to not require independent doctors to practice exclusively at the system’s facilities and to not inhibit independents physicians’ participation in health plans and networks of their choice.

Carey said she believes the promises made in the COPA are little more than lip service to convince state regulators to approve the deal.

“I don’t believe any of that is going to stand up for long,” she said. “Once they have some leverage, I think you’ll see that go by the wayside. ... It’s not enough. They’re going to find a way to pierce right through that once they get the entities combined.”

The Association of Independent Doctors has aided the Federal Trade Commission’s efforts against health care consolidation in the past — Carey wrote several amicus briefs used to help the anti-trust agency win court cases to block or undo other acquisitions and mergers — and could do so in the local health systems’ case.

Through the states’ processes, FTC officials spoke at several public hearings questioning the need for the merger, most recently at a meeting of the Southwest Virginia Health Authority. Officials at that meeting decided to push back an expected decision on the merger until later this week to have time to fully examine the regulators’ questions and the health systems’ responses to them.

Carey said it appears to her that the FTC is preparing a case to oppose the merger.

“I think the FTC is poised to take action,” she said. “They’ve invested a lot in this case, and it’s one they’re keeping a very close eye on. I don’t think for a minute they would back away from this, and if they need our help, we’ll be there to give it.”

Wellmont and Mountain State executives issued a separate statement aimed at the FTC’s interest in the merger.

“The FTC’s staff continues to dismiss what our communities and local stakeholders have expressed, which is the importance of local control,” it read. “While the FTC has the ability to take whatever action they deem appropriate, Mountain States and Wellmont believe our proposal, which falls squarely within the law and involves the investment of hundreds of millions of dollars of enforceable commitments, is the most appropriate solution for our community.”
FTC misstates facts on Wellmont, MSHA merger

It's hard to overestimate the hubris of federal regulators. The Federal Trade Commission's unsolicited intervention into the merger of Mountain States Health Alliance and Wellmont Health System is a case in point.

Wellmont and MSHA have applied for a Certificate of Public Advantage in Virginia, which would basically allow for an anti-competitive merger. This is being done according to state law.

However, the FTC has come out against the merger, saying it would not benefit consumers and would be a "near monopoly" between the two health care systems.

Given that the FTC's eagerness to provide unsolicited advice may add untold millions to the application process, one would hope they would have at least added some new factual information to the discussion. That didn't happen.

The fact is, as can be seen in the hospitals' response to the FTC, the FTC objection is basically a philosophical and political objection to the formation of one system from two.

Regulators observe the unification of the two systems will be anti-competitive. Well, no kidding. That's a fact acknowledged from the outset and is the very reason a Certificate of Public Advantage is being sought. The law enabling COPAs was passed by the commonwealth to allow such anti-competitive mergers if the anticipated benefits in public health investment outweigh the potential harm.

Apparently the FTC missed the point.

In truth, we live in a region with substantial health challenges, as outlined in the hospitals' response to the FTC. Virginia ranks 31st in the nation in smoking, the region's obesity and teen pregnancy rates exceed state and national levels, and the mortality rate for drug poisoning exceeds the state average in all 11 Virginia counties served by Wellmont and MSHA.

The FTC also presumptively ignores that $450 million in new health care initiatives over 10 years will not be possible without the savings afforded by the merged systems.

These investments include new capacity for residential addiction, new pediatric care subspecialists, new community-based mental health resources, rotating specialty clinics for rural communities, and health education and research through East Tennessee State University and other academic partners in Southwest Virginia.

The FTC seems unconcerned the current and anticipated health market conditions create a high likelihood that one or both systems will be acquired by out-of-market mega systems. The current environment will no longer sustain two locally managed and independent systems.

The merged system has agreed to cost controls supervised by the state based upon objective third-party indexes and other limitations in activities that mitigate the impact of their anti-competitive position.

Beyond the misstatement of facts, the omission of relevant examples, the dismissal of promised investment and their findings of given positions, the tone of the FTC document is insulting. The implications of the FTC's concerns are twofold.

One, that local health care issues and initiatives will be better managed by out-of-market decision makers. And two, that the Commonwealth of Virginia is not competent to effectively manage and supervise the merged system.

Given the fact that the current threatened position that health care providers now find themselves in is in no small measure a result of decisions actually made in Washington, D.C., by regulators, one might expect some humility and a more collaborative approach. But no, the malady of hubris known as Potomac Fever is still at epidemic levels in our capital.
Why is Wellmont-Mountain States merger necessary?

Jack White | Abingdon, Virginia | Posted: Thursday, November 3, 2016 4:00 am

In the back and forth as the proposed Wellmont-Mountain States merger crosses the many regulatory hurdles, I keep looking for the answer to one fundamental question:

Why can't these two large healthcare systems continue to operate, and compete, as they now exist?

This all began when Wellmont announced that it needed to merge with somebody larger to stay competitive. I don't recall a compelling case then being made, just that the Wellmont managers and board had reached this conclusion. Suitors from many places began to appear and Wellmont told us it was carefully evaluating each of them.

I don't recall Mountain States openly putting itself up for bids, as Wellmont had done. But soon the speculation began: Could Mountain States be Wellmont's merger partner?

Too many of us, that possibility presented a classic Hobson's Choice -- see control of our two fine health systems move to a far-off place, or places, or keep everything local by the two systems merging with each other, at the cost of no competition.

Back to the original question: Exactly why do these systems need to merge or find an outside partner larger than they are? Each system has a dozen or so general hospitals plus a broad array of clinics, special treatment centers, doctor's offices, and other facilities that make up today's health care.

Both systems generate huge amounts of income, enough to afford skilled and high-priced managers, legal and regulatory advisors, and their size should give them strong bargaining positions with suppliers, employment markets, and the rest.

In short, is this a case of leaders with stars in their eyes wanting to find glory in greater bigness, or do sound and rational reasons support this merger? I keep hearing conclusive statements that it needs to be done -- but not the details of why?

Jack White | Abingdon, Virginia
Hospital merger process kicks into high gear in Virginia

Posted by: BJournal Editor  Posted date: November 04, 2016  In: Latest Issue  |  comment : 0

By Jeff Keeling

We are well aware of the economic and healthcare challenges facing this region. The question for us, and more importantly the question for the Authority, is whether this merger is the only way to address the issues at the cost of displacing virtually all hospital competition in the area. – Mark Seidman, deputy assistant director, Mergers IV Division, FTC Bureau of Competition

The core issue facing you as board members of the Authority is whether you believe, after reviewing the extensive oral and written information presented to you over many months, that the market for health care in Southwest Virginia presents some significant and uncommon characteristics as to deem it unique enough to necessitate a solution other than pure competition. – Richard Brownlee, professor emeritus, University of Virginia Darden School of Business
In Abingdon, Va. Oct. 26 and 27, a group of men and women from Southwest Virginia wrestled with two questions regarding health care. First, do circumstances in Southwest Virginia – related to factors including demographics, population health, and the economy – warrant replacement of a standard competitive market with what will in essence be a regulated monopoly? Second, can the state, in collaboration with regional leaders, build a regulatory structure that can hold that monopoly to enforceable commitments so the resulting benefits – benefits not achievable without the monopoly – outweigh the disadvantages created by greatly diminished competition?

“The members of the Authority are going to be making a judgment,” Dennis Barry told the men and women, members of the Southwest Virginia Health Authority (SVHA) board, three hours into an Oct. 27 meeting in Abingdon. “I think the members of this authority could make a reasonable judgment that it’s likely that the benefits (of a regulated ‘cooperative agreement’) exceed the disadvantages.”

But Barry, a retired healthcare attorney and one of three staff members the SVHA hired to help it navigate the application for a cooperative agreement, recognized the decision is not a slam dunk. “Reasonable members of this Authority could say, ‘this is a monopoly, guys. I’m scared, and I don’t want to do it.’ I don’t think that’s an inherently unreasonable position.”

The dual questions outlined above have faced the states of Tennessee and Virginia since April 2015, when Mountain States Health Alliance (MSHA) and Wellmont Health System, two long-competing rival hospital systems that dominate the regional market, announced their intention to merge. The relevant factors surrounding the questions, and the varied opinions about how they should be answered, were displayed and debated at their most developed level yet in Abingdon. SVHA board members will be the first group to move the merger forward or stop it in its tracks.

That made SVHA meetings Oct. 26 and 27 an early crucible for a process that’s being followed not just regionally, but nationwide. If on Nov. 7 the SVHA recommends approval of a cooperative agreement regulating the merger in Virginia, and the Commonwealth and state of Tennessee both follow suit, the resulting system would be the largest such regulated hospital monopoly ever permitted in the United States.
The main benefits, the systems say, would include massive new investments ($450 million over 10 years) into improving community health, enhancing healthcare services and investing in research, among others. The cooperative agreement, and a Certificate of Public Advantage (COPA) in Tennessee, would make these and additional commitments enforceable, they add.

Those commitments include better pricing they say will save consumers around $10 million a year compared to the status quo, a better environment for non-employed physicians and other clinicians, better electronic medical records and more competitive pay rates for employees. Despite its monopoly power, the system could be held to these commitments with a strong regulatory mechanism, system leaders say, while the money to pay for all the advantages would be derived from a consultant-estimated $120 million in annual savings gained by merger efficiencies.

“This application was sent to you because the General Assembly believed you were in a unique position to weigh the benefits and disadvantages of this cooperative agreement because of the very unique backgrounds and the very unique populations that each of you represent,” SVHA attorney Jeff Mitchell told board members Oct. 27.

**Competition or regulated monopoly?**

Federal Trade Commission (FTC) staffers have hinted throughout the process that they question whether such regulation could produce benefits outweighing the disadvantages. They have made abundantly clear that they doubt whether the commitments are enforceable, that they believe prices would be better without the merger, and that they think quality of care and access could suffer, not be enhanced, should the merger go forward.

Within the past month, both in a lengthy written comment (see bjournl.com/ftc93016) and in person Oct. 26, they have been more forceful, urging the SVHA not to recommend approval. And after the Oct. 27 meeting, in the non-committal fashion common to any public pronouncements regarding what its staffers typically deem “hypotheticals,” the FTC’s Stephanie Wilkinson said this regarding any potential challenge if both states approve the applications: “Whatever happens at the state level, the commission would evaluate and decide whether or not to challenge the
merger or take some other action.” Given the agency’s approach to date, one given to wagering would likely put odds on a challenge.

The merger would create a 19-hospital system with revenues just shy of $2 billion. It would turn on its head the two-decade paradigm in a two-state, 13-county area where fierce competition between the systems has been the order of the day. In normal circumstances, such a proposal would not just draw the opposition of the Federal Trade Commission (FTC). It would by everyone’s admission almost certainly not be permitted due to the combined system’s market share and resultant market power – power that, unchecked, would likely have highly adverse effects on consumers.

But the region doesn’t face normal circumstances. Even the FTC has admitted as much with respect to Southwest Virginia, where populations are declining, the economic base has been rocked by the collapse of coal and tobacco farming, and poor health factors occur at much higher rates than they do in other parts of the state and nationally. Those challenges led the Virginia legislature to create the SVHA in 2007, “to recommend ways to improve health and health-related prosperity in the far Southwest Virginia region,” according to the SVHA website.

Wellmont and MSHA say the challenges have created a money-losing scenario at most Southwest Virginia hospitals that requires subsidy from their more profitable facilities, which in turn are challenged by decreasing inpatient volumes. That scenario, they say, was a major factor in their decision to seek a regulated merger that would shield them from standard antitrust intervention, using the 73-year-old doctrine of “state action immunity.” For Southwest Virginia, they have said, the result would be transition to a healthcare approach best suited to the area’s unique challenges, with investments that help protect and enhance residents’ health care even as payment models shift toward a focus on value and quality, and inpatient hospitalization rates decline in favor of other clinical settings.
“If you look at the result of negotiations we had with (the SVHA), all of a sudden now we’re working with them to put together long-term plans to then fund, and then we get measured against whether we actually fund what we say we’re going to fund,” MSHA CEO Alan Levine told The Business Journal Oct. 24. “It puts some weight behind what the overall strategy is, whether it’s research, whether it’s population health, enhancement of specialty services – that’s what’s so different as opposed to what exists today, which is a plan on paper.”

The laws enabling a state-regulated cooperative agreement in Virginia and Certificate of Public Advantage (COPA) in Tennessee are meant to shield a merged system from standard antitrust regulation. The states are to determine whether the benefits of a regulated and actively supervised agreement outweigh the disadvantages caused by reduced competition – thus shutting the door on the FTC’s normal path to challenging anticompetitive mergers. The FTC has expressed concern about this path since the systems filed their applications Feb. 16. It fired its strongest written shot in that battle Sept. 30, with the systems responding in kind Oct. 14 (see bjournal.com/ballad101416).

On Oct. 26, those competing viewpoints played out in real time as SVHA board members met with four FTC representatives in Abingdon a day before they began deliberating on whether to recommend that the Virginia Department of Health (VDH) approve or deny the cooperative agreement application. The FTC made clear its willingness to challenge even a state action immunized merger, in a July 6 statement related to a COPA approval in West Virginia. The agency wrote it would, “where appropriate, challenge anticompetitive mergers in the courts and, if necessary, through state cooperative agreement processes.”

A map from the FTC’s written comment shows hospital market share (with MSHA in red and Wellmont in blue) for patients living in a 21-county region (data from 2014).

Whose pen is mightier?

From the time of the systems’ COPA and cooperative agreement application submissions Feb. 16 through late September, the FTC remained relatively low-key in its communications with state and regional authorities. There were a few letters, and offers to lend FTC expertise as the SVHA, the state of Tennessee and the Commonwealth of Virginia wrestled with the task before them. An FTC staffer, Mark Seidman, offered notes of caution at a June 7 public hearing in Blountville, Tenn. held by the Tennessee Department of Health.
That soft approach changed with the FTC staff’s Sept. 30 submission of a 66-page narrative (plus appendices) that amounted to a point-by-point rebuttal of the systems’ case for a COPA/cooperative agreement. The document claimed that based on FTC research and experience, a Wellmont-MSHA merger, “would likely result in higher prices and reduced quality for healthcare services in Southwest Virginia and Northeast Tennessee,” due primarily to its “near-monopoly” status and the system’s ability to “exercise significant market power.”

The systems provided a nearly point-by-point response to the FTC’s arguments, saying the systems’ commitments to the states, and the proposed regulations, would indeed provide not just an adequate substitute for competition, but a superior one.

Talking past each other?

On Oct. 26, four FTC staffers sat in a packed room in Abingdon’s Southwest Virginia Higher Education Center with SVHA board members. The SVHA had prepared an eight-page list of specific questions, but FTC members opened by augmenting the arguments made in their comment.

“We are not here to criticize the policy choice made by the Virginia legislature,” Seidman began. “We respect that choice, and we’ve endeavored to evaluate the applicants’ cooperative agreement application through the lens laid out in that legislation. Indeed, we structured the analysis in our public comment to track the statutory factors laid out in the cooperative agreement.”

He said the FTC was available to help elucidate the risks posed by elimination of competition, “and to identify the challenges, ambiguities and potential shortcomings within the applicants’ claims and commitments.” He called the systems’ request “extraordinary. The burden is on the hospitals to fully describe the benefits from the merger and clearly explain how their commitments will mitigate any harm from the merger,” Seidman said.

Seidman said FTC staff members are “not blind” to the difficult demographic and economic realities facing people and healthcare providers in Southwest Virginia. “The question for us, and more importantly the question for the authority is whether this merger is the only way to address the issues at the cost of displacing virtually all hospital competition in the area.”

He and his colleagues don’t think so, especially given the risk, Seidman said.
“In essence, the applicants are asking this community to take on a tremendous risk that their monopoly power can be effectively constrained by government regulation, and counterbalanced by promises that may be difficult to enforce, will take years to materialize in some cases, and which the Authority and the Department of Health may have limited ability to remedy if the parties fail to fulfill their promises.”

A colleague, Goldie Walker, then said health insurers’ bargaining leverage will remain static should the merger transpire. A merged system, conversely, will see its own leverage greatly enhanced. Without needing to compete to attract patients and payers, Walker said, a merged system may have fewer or even no incentives to improve quality levels, innovate and provide maximum access.

The only non-attorney present for the FTC, displayed a map showing the 2014 hospital inpatient data for the systems’ service area. Analysis of where patients go for care, along with their “second choice” for care, shows two things, Thompson said. One is that between them, the two systems treat a large majority of patients from 13 counties – seven in Virginia and six in Tennessee. The second is that MSHA is the second choice for about 85 percent of Wellmont patients, and vice versa. “That’s a very high degree of competition between the two systems,” Thompson said. Past mergers that have created that degree of market power, she added, have been shown by studies to lead to price increases up to 100 percent.

Thompson acknowledged the presence of regulated pricing present in the cooperative agreement, but said the FTC has concerns about those price caps’ effectiveness. “Even if the price caps are effective, this market power may manifest itself in other ways, through for example a decreased incentive to invest in quality of care initiatives.”

The third FTC attorney present, Stephanie Wilkinson, picked up the price cap thread, saying the agency continues to believe those proposals may not adequately protect consumers. Wilkinson downplayed additional explanation regarding price commitments in the systems’ response to the FTC’s comment.
“Many of the specific terms of the price commitments remain ambiguous and still appear to contain gaps,” Wilkinson said. “As such, we cannot foresee all the possible ways that these commitments could fall short of their intended purpose, could be circumvented, or could result in unintended consequences.”

Wilkinson also raised questions about whether, as newer, value-based contracting models that rely less on negotiated “fee-for-service” reimbursement rates, the proposed price commitments would be applicable. “Competitive environments naturally allow for these kind of changing dynamics, but regulatory environments … may not allow for such adjustments,” she said.

In addition to her criticisms, Wilkinson acknowledged the FTC, “is not in a position to determine what particular price commitments would be adequate to protect consumers.” That statement was one of several – some brought on through exchanges with Barry – in which the FTC seemed to make clear that it had little interest in actually examining in real time the pros and cons of past COPAs and cooperative agreements.

Barry, who has specialized in healthcare reimbursement and compliance issues for more than 25 years, asked: “Are there any circumstances you can contemplate where the FTC staff would not oppose a merger of these two systems?"

Wilkinson said the FTC isn’t aware of evidence establishing that the kind of regulatory scheme being proposed would yield a better outcome than competition, but is aware of many studies “that do establish the benefits of competition in healthcare markets.”

Barry pressed Wilkinson, who responded that the Mission Health COPA in North Carolina – which the systems have touted as an example of a COPA that benefited consumers – and another in Montana had a combined 30 years of existence to provide any evidence that they worked.

“In North Carolina, with prices what happened?” Barry asked.

“I can’t speak to that, because I’m not aware of any robust economic studies that actually fully evaluated the impact on price, cost and quality,” Wilkinson said.

Barry then raised the Montana COPA. The FTC cited post-COPA price increases for that system, based in the Great Falls area, but Barry said those prices remained lower than their peers’.

“If we’re speaking about these other COPAs, the FTC like I said has not conducted an empirical assessment of these COPAs,” Wilkinson said.

The practical question: If it’s the right thing to do, can it work?

A day after the FTC meeting, SVHA board members listened as Wellmont and MSHA CEOs Bart Hove and Alan Levine reiterated their cases for the mergers benefits. They spent nearly an hour questioning Levine on specific commitments and how enforceable those really could be.
An initial set of commitments related to health care in Southwest Virginia and proffered by the systems in February underwent significant modification as MSHA-Wellmont representatives and SVHA board members tightened and refined those commitments (see the marked up commitments, with changes, at bjournal.com/svhacommitments). “We spent a lot of time going back and forth,” Barry said Oct. 27. “There were a lot of red line drafts… It was like negotiating an important contract.”

Like Barry, Brownlee, the business professor, said, “these revised commitments are in my opinion substantially improved compared to the parties’ original commitments.”

Dr. Dixie Tooke-Rawlins sat on most of the SVHA’s five working groups: competition, healthcare access, healthcare cost, healthcare quality and population health. The president of the Virginia College of Osteopathic Medicine has been among the more outspoken board members during numerous meetings with hospital system leaders, often pressing them on their claims. Like Barry, she said the dialogue with the systems and the committees’ own research had led to a set of commitments that was much improved over those contained in the original application.

With respect to access, for instance, the systems agreed to a much more specific set of services ranging from primary and preventive care to crucial specialty services. Those negotiations occurred with the recognition that some of the system facilities that are currently hospitals may be retrofitted for more appropriate purposes given changes in health care, even during a five-year period that the systems have guaranteed they’ll stay open.

“We wanted improved primary care and prevention programs, because the challenge is not just will it be the same, but will it be better?” Tooke-Rawlins asked Oct. 27. All told, she said, “the majority of the big things have been addressed under those commitments.”

Dr. Donna Henry, chancellor at the University of Virginia’s College at Wise, chaired the healthcare cost working group. She, too, said negotiations had strengthened and specified the systems’ commitments. The group’s primary concern by late October, she said, was how effectively cost and pricing regulations could be monitored by VDH. “I think we learned today how that can be monitored,” Henry said.

Hospital system leaders say they expect similar “horse-trading” to continue as they enter dialogue with the Tennessee Department of Health (TDH) and VDH prior to state decisions on the merger.

“They (SVHA) have their own health goals for the region and they’ve really not had a structure to work forward and be able to implement a lot of those,” Wellmont CEO Bart Hove said Oct. 24. “Tennessee has a lot of goals as well. We met with the commissioner last week and part of the discussion we had with the commissioner is, ‘how can we work together to begin to implement some of those goals in Northeast Tennessee that are in synch with their long-range plan as well?’

“We’re actually working in partnership with these two agencies to implement, and benefit the region with these different ideas and different approaches to health care.”

In the same meeting, Levine said bringing in other perspectives has helped create a stronger set of commitments.
“Having their viewpoint from their perspective helped,” Levine said. “There were some things where we thought we were saying something that was interpreted differently. That dialogue was really important, and I think it will help in Tennessee as well... I think it will help when you’re sitting in the room and you get some real time dialogue about what our intentions were and what we hope to be.

“I think what everybody wants to see, is that as a major health system with the reach that we have, we will be a strong backbone for population health and for public health in the region. We want to be a reliable partner for both the Commonwealth and for the state of Tennessee. I think the commitments will help guide us in that direction.”

**The hired guns say yes – but understands why ‘no’ would be reasonable**

Brownlee, the business professor, told the board Oct. 27 he had come to the process with a pro-market background, having as a business school professor, “understood and advocated for the virtues of competition in the market.” Brownlee added that experience had taught him most markets were, “imperfect in a variety of dimensions.

“That in fact is the issue in the case with Southwest Virginia: Is the market for health care there so filled with imperfections that the traditional market solution simply can’t be expected to function properly and meet the serious needs of the people in the region?”

In Brownlee’s case, the answer is yes, as it is in Barry’s and that of the third professional the SVHA hired to help it in its work.

Dr. Thomas Massaro, a pediatrician now affiliated with U.Va., sounded perhaps the most emphatic positive tone.

Massaro has worked around the world in a number of regions where market forces and regulation commingle. He said when “balances of competition and regulation” are managed well, they can be extremely beneficial to the populations they serve. A cooperative agreement in this case, he said, “can deliver population health, public health benefits to this community that will not be available in any other way.”

Using a familiar example for him, Massaro said he believes collaboration in an effort to deliver better subspecialty pediatric care, “will be better, more efficient, and more effective to those children than if they stay apart or if they are acquired, merged or in some other way deal differently with the region.”

More broadly, he said, the plan contains elements that could become models for other distressed regions of the country as trends in health care continue to create cost pressures.

“Our experience with the merger applicants, people of good faith, and organizations committed to this region, has the ability not only to survive and to bring benefit here. I think it has the ability to be a paradigm, an initiative that might influence health policy in other similar environments around the country.

“If I lived here, I would enthusiastically support this merger, and I would do everything I could to bring about the best parts of the intent and the goals of this.
Barry was more equivocal. He said the FTC’s root concerns were valid. “But for the commitments in monitoring and supervision by the Commonwealth of Virginia, this would be a bad idea,” Barry said.

He added, though, that most of the FTC’s contentions could be debunked, provided the board believes in the regulatory structure. SVHA would have ongoing involvement through a four-member committee – two health system representatives and two SVHA representatives, including the chair – that will meet with VDH representatives. “The Commissioner of Health has … the ability to exert an immense amount of power and influence over these parties,” Barry said.

With the information and opinion from more than six hours of recent testimony in front of them, SVHA board members opted to take a little more time and reflect before voting on the application. When they do so Nov. 7 – just a few days before their statutory deadline – they won’t have any more guarantees that they’re making the right decision than they did at the close of their Oct. 27 session, Barry said.

“There have been very few COPAs out there, or cooperative agreements. The limited experience, the anecdotal evidence is positive. But we don’t have a great deal of peer-reviewed analysis of the pros and cons of these agreements, so to some extent there’s guesswork here that’s inherent in what you’re doing.”
Decision looming for Wellmont, MSHA merger

BY DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Sunday, November 6, 2016 11:56 pm

ABINGDON, Va. – A day before voters select a president, two regional health care systems expect a verdict on a proposed merger.

The Southwest Virginia Health Authority is scheduled to reconvene today to debate the merits of a cooperative agreement developed by Mountain States Health Alliance and Wellmont Health System.

Their charge, under state law, is to weigh any potential benefits versus disadvantages and recommend that the Virginia commissioner of health consider the merger or reject it. If the authority recommends against the plan, it dies there, authority attorney Jeff Mitchell reminded them during the previous meeting.

Leaders of the two systems say a merger is the best way for each to remain financially viable, maintain and improve health care service offerings while dealing with an ever-changing national landscape in the wake of the Affordable Care Act.

The health systems submitted the application in February and authority members – area lawmakers, health care professionals and business leaders – have wrangled through the details ever since. A similar process is underway in Tennessee.

Authority members met twice in late October to hear a wide range of testimony from the Federal Trade Commission, which opposes the merger, the applicants, a trio of consultants it retained to review the proposal and others.

An FTC report claims the merger would significantly reduce competition in much of the service area, which could lead to a reduction in the quality and availability of health care. Applicants have vehemently denied those claims.

During the authority’s last meeting, consultant Tom Massaro, chief medical officer of the University of Virginia’s Medical Center and currently a UVa faculty member, opined that the merger “can deliver public health benefits to this community that will not be available in any other way.”
Language in the 2015 state legislation that established the merger process specifies that hospital and health system mergers are permitted if the “likely benefits resulting from the proposed cooperative agreements outweigh any disadvantages attributable to a reduction in competition that may result from the proposed cooperative agreements.”

Such benefits may include “improving access to care, advancing health status, targeting regional health issues, promoting technological advancement, ensuring accountability of the cost of care, enhancing academic engagement in regional health, strengthening the workforce for health-related careers, and improving health entity collaboration and regional integration where appropriate,” according to the legislation.

The legislation stipulates that the authority “shall consider whether one or more of the following benefits may result” from the agreement:

Enhancement of the quality of hospital and hospital-related care, including mental health services and treatment of substance abuse, provided to citizens served by the authority, resulting in improved patient satisfaction;

Enhancement of population health status consistent with the regional health goals established by the authority;

Preservation of hospital facilities in geographic proximity to the communities traditionally served by those facilities to ensure access to care;

Gains in the cost efficiency of services provided by the hospitals;

Improvements in the utilization of hospital resources and equipment;

Avoidance of duplication of hospital resources;

Participation in the state Medicaid program;

Total cost.

The MSHA-Wellmont merger includes commitments to invest $450 million over 10 years in improving community health, improving mental health and addiction treatment services, establishing a universal medical records platform and other provisions designed to improve regional health.

It also includes commitments to restrain price increases and to maintain treatment and diagnostic services in rural areas for a minimum of five years after the merger.

Nine of the authority’s 30 members are ineligible to vote because they work for either Wellmont or Mountain States or have some other conflict. A simple majority of the remaining authority members present is needed to approve or reject the plan.

The meeting is scheduled to begin at 4 p.m. at the Southwest Virginia Higher Education Center.
ABINGDON, Va. — One approval down, and one more to go. After determining the benefits outweighed the disadvantages, Southwest Virginia Health Authority members unanimously voted to recommend the merger between Mountain States Health Alliance and Wellmont during a called meeting Monday at the Southwest Virginia Higher Education Center. The recommendation will now be passed along to the Virginia Department of Health commissioner, who will make the ultimate decision on the merger’s approval in Virginia.

“Today was the end of nine hours of deliberation that this committee met in order to go through the advantages and disadvantages, which also included meeting with the Federal Trade Commission,” said Terry Kilgore, chairman of the Authority’s board.

“We’ve had a lot of hard work going through this. And I’m not including all the hours we’ve spent going through the application and all the hours that our committees and subcommittees have spent going through looking, talking and getting commitments on the recommendations.”

On Oct. 27, the Authority met for four hours to begin deliberating the merger, but it decided to hold off on taking a vote. Authority attorney Jeff Mitchell advised members it would be better to wait 10 days to process the decision and continue weighing the pros and cons instead of making a hasty vote after a long meeting.

Monday’s meeting began the concise breakdown of those benefits and disadvantages. The Authority voted on each benefit and disadvantage as resolutions to base their final decision on, and at the end, the benefits seemed to outweigh the disadvantages.

The Authority determined that if the merger was approved, some of the benefits based on the health-care systems’ commitments would be: enhanced quality of care, population health improvements, enhanced facilities and cost-efficiency improvements. A few of the disadvantages included: insurance companies’ ability to negotiate and reduction of competition.

Cost of care was a hot topic openly discussed among the Authority’s members before it was decided that, based on prior negotiations with the health care systems, it would be a benefit.

“The cost as you go through, you’re realizing that health care costs are probably going to go up (in the future),” Kilgore said.

Kilgore said Wellmont and Mountain States’ commitment that health care prices in the area would remain .25 percent cheaper than the consumer price index was the basis in determining cost would be considered a benefit.

“Cost is really hard for the committee to wrap their arms around, but we felt that this was the best we could do under the circumstances because health care costs are tough,” Kilgore said.

Wellmont CEO Bart Hove and Mountain States CEO Alan Levine were both present during the meeting and commended the Authority’s decision-making process.

“I think it was evident that the Southwest Virginia Health Authority listened to the evidence presented by the applicants, listened to the testimony of the Federal Trade Commission and drew their own conclusion independently that the merger makes sense for this region and it’s the right thing to do,” Levine said.

Although FTC representatives were not at Monday’s meeting, the agency has actively opposed the merger in Southwest Virginia due to competition concerns. During the Oct. 27 meeting, FTC attorney Stephanie Wilkinson said the agency would continue to investigate the merger. The FTC potentially could file a lawsuit against the applicants, based on federal law.
Virginia Department of Health Commissioner Dr. Marissa Levine will now have 75 days once the recommendation is filed to make a decision on the merger.

“The (Virginia Department of Health), I assume, will start a process somewhat like we did but probably not as in depth as we did. They will look at our commitments, look at what we were able to achieve through our process and hopefully build on that process,” Kilgore said.

“I think our staff and some of our member negotiated a good deal. Is there something better? I’m sure there is always something else better. I’d like for the hospitals to remain open for 10 or 12 years, but you can’t get that commitment in today’s health care market. But one thing that I think we were able to achieve was the ability to address some of the substance abuse problems, mental health issues and some of the specialty services in Southwest Virginia.’’

The merger is still being examined by the Tennessee Department of Health. A final public comment hearing is slated for Nov. 21 at 5:30 p.m. in the Millennium Centre in Johnson City.
Virginia state authorities approve Wellmont, MSHA merger

Written by Alyssa Rege | November 08, 2016 | Print | Email

The Southwest Virginia Health Authority approved the proposed merger between Kingsport, Tenn.-based Wellmont Health System and Johnson City, Tenn.-based Mountain States Health Alliance, according to WCYB-NBC News 5.

The health authority's decision was the final approval necessary for the merger to proceed.

The Federal Trade Commission raised objections to the proposed merger on two separate occasions, stating the merger would increase costs for patients and decrease the quality of care. Officials from both hospitals responded, saying the FTC's view on the merger is "very narrow" and only focused on the competition.

Officials said the merged entity would be named Ballad Health.

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Southwest Virginia Health Authority approves merger

Earl Neikirk/BHC

Hospital Merger Vote 04

Alan Levine, president and CEO, Mountain States Health Alliance, left, and Bart Hove, president and CEO, Wellmont Health Systems, talk during the meeting of the Southwest Virginia Health Authority on Monday in Abingdon, Virginia as the group voted to approve the merger between the two health systems.

Earl Neikirk/BHC

Hospital Merger Vote 01

The Southwest Virginia Health Authority voted to support the merger between Wellmont Health Systems and Mountain States Health on Monday in Abingdon, Virginia.
Hospital Merger Vote 02

Jeff Mitchell, attorney for the Health Authority, goes over the items that the Southwest Virginia Health Authority voted on during its meeting on Monday in Abingdon, Virginia.

Hospital Merger Vote 03

Jeff Mitchell, right, attorney for the Health Authority, goes over the items that the Southwest Virginia Health Authority voted on during its meeting on Monday in Abingdon, Virginia.

ABINGDON, Va. — The proposed merger of two regional health systems received a strong endorsement Monday, when the Southwest Virginia Health Authority voted to recommend the plan’s approval.

Authority members deliberated for more than an hour Monday — on the heels of several hours of meetings in late October — before voting without dissent that potential benefits outweigh any likely drawbacks in the cooperative agreement between Mountain States Health Alliance and Wellmont Health System.

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The authority then voted, without dissent, to forward the plan to Virginia Commissioner of Health Marissa Levine for consideration. Nine members of the 30-member authority couldn’t vote because they had a conflict of interest.

“It is our recommendation to the Virginia Department of Health that the merger be approved,” Chairman Terry Kilgore said after the meeting. “We’ve had a lot of hard work going through this. We spent a lot of hours going through the application, our committees spent a lot of time on this.”

Afterward, leaders of both systems praised the authority’s efforts.

“We’re excited about the decision and that the authority took all the time they needed to understand, appreciate and negotiate the cooperative agreement for Southwest Virginia,” Wellmont CEO Bart Hove said.

The systems submitted their nearly 4,000-page application in February and the authority reviewed it in two phases — first to determine the application was complete and then delving into the details while addressing a wide range of concerns.

Opposition to the plan has come from the Federal Trade Commission, which claims diminished competition could impact quality and access to care and the insurance industry, which is concerned about negotiating with a single, large health system.

“I think it was clear the Southwest Virginia Health Authority listened to the evidence that was presented by the applicants, the testimony of the Federal Trade Commission and drew their own conclusion independently that the merger makes sense for this region,” MSHA CEO Alan Levine said. “A unanimous vote is a pretty powerful message to send to the commonwealth and we’re prepared to do all the work necessary to get to the next stage.”
Authority attorney Jeff Mitchell will now draft a report on the authority’s process, its votes and the revised commitments. Kilgore, a state delegate from Gate City, is expected to submit it to state officials next week. Once filed, it will initiate a 45-day window for the state to review the agreement so an answer is possible by year’s end or early January.

A similar process is underway in Tennessee, where state health Commissioner John Dreyzehner’s office has until Jan. 13 to approve or reject the systems’ request to merge under a certificate of public advantage.

Both states must approve the merger for it to proceed.

During Monday’s meeting, the authority looked at eight individual factors spelled out in state legislation, including quality and access to health care, population health, preserving hospital facilities and total cost of care — and voted the merger would more likely improve than harm each.

The authority also determined that most potential negative outcomes spelled out in the state legislation would likely be mitigated by commitments negotiated between the authority and the applicants.

Cost of care seemed to prompt the most discussion.

“Health care costs are probably going to go up,” Kilgore said. “Cost is really hard for the committee to wrap its arms around but we felt this was the best we could do under the circumstances.”

The health systems have committed to limit any price hikes to below the consumer price index.

During the meeting, negotiations between the applicants and authority were described as “aggressive.” Levine, the Mountain States CEO, said it was a “very intensive” process.

“Every word was reviewed and analyzed. We expected the process to work this way where we proposed our commitments and we expected them to analyze and challenge some of them,” Levine said. “Frankly, we think they made them a lot better. Hopefully, the commissioner of health will see value in the work these people did. They live here and they’re committed to improving health outcomes here.”

Kilgore said it was a lengthy process but one he hopes will aid the region.

“Our staff and our members negotiated a good deal,” Kilgore said. “I’m sure there’s always something else better. One thing I think we were able to achieve is address some of the substance abuse problems, some of the mental health issues and some of the specialty services in Southwest Virginia.”
Southwest Virginia Health Authority approves merger
FTC weighs in again on proposed health system merger

Health authority receives new commitments from health systems

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Health groups merger is endorsed

The Southwest Virginia Health Authority has voted to recommend a proposed merger of Wellmont Health System and Mountain States Health Alliance.

According to published reports, the authority endorsed the two health groups’ proposed cooperative agreement Monday in Abingdon, determining that a merger’s benefits would outweigh its disadvantages.

The recommendation next goes to Virginia Department of Health Commissioner Marissa Levine, who will have 75 days to make a final decision on whether the state supports the merger.

A similar process will take place with Tennessee’s health commissioner. A final public hearing in the Tennessee deliberative process will take place Nov. 21.

In late October, the Southwest Virginia authority postponed its vote after hearing a presentation by staff of the Federal Trade Commission, which predicted that the two health systems’ stated commitments will be difficult to set in motion and enforce, and said that those commitments are not preferable to continued competition.
Health group merger

Final step is state health officers

The Southwest Virginia Health Authority has approved an application for the merger of Mountain States Health Alliance and Wellmont Health System, and the proposal now goes to the top health officers of Virginia and Tennessee, city council was told Tuesday.

Norton Community Hospital Chief Executive Officer Mark Leonard updated council on the status of the proposed merger. With him were Mitch Kennedy, chief nursing officer for the Norton facility and Dickenson Community Hospital and Mountain States governmental relations officer Stacy Ely.

The regional health authority approved the application last week and sent it on to the Virginia and Tennessee health commissioners, Leonard said. Until the merger is approved, the organizations continue to compete, and they are mindful of antitrust concerns and laws, he noted, adding that many matters cannot be addressed until the new organization becomes official.

Leonard reminded council of the local factors that the health groups believe make a merger attractive to Southwest Virginia.

Among all Wise County and Norton residents, inpatient hospital stays plummeted between 2005 and 2015, from 275 per 1,000 to 148 per 1,000. During the same time period, inpatient stay numbers held relatively steady for everyone in Mountain States’ 29-county service area and for all of Virginia.

The nature of health care has changed dramatically over that decade, Leonard said. However, state-of-the-art facilities are still needed close to home, and Norton Community is committed to keeping wait times to see a care provider to 10 minutes or less, he noted. The goal is to avoid having to transfer patients to a Tri-Cities facility whenever possible.

Norton Community’s tools for doing so include virtual connections to Niswonger Children’s Hospital and the University of Virginia Health System’s neurology department, onsite cancer treatment, urgent care options for cases that don’t require an emergency room visit and other services that keep patients here, Leonard explained.

Also, Norton Community operates the busiest black lung clinic in the U.S., he noted. The hospital opened its Healthplex annex last fall, and its FitOne wellness center has doubled membership.

The Dickenson County facility is licensed for 25 beds but operates as a one-bed critical access facility. Also, it operates an inpatient behavioral health unit for people 55 and older and outpatient behavioral health for those 65 and older.

The two hospitals and associated clinics employ 540 people full time, according to Mountain States.

The proposed merger will re-engineer health care delivery in Southwest Virginia and northeast Tennessee, Leonard asserted — maintaining local governance, keeping costs down, investing $75 million
to improve community health services, committing $140 million over a decade to expand drug addiction recovery services, expanding services overall and investing $85 million over a decade in research and education.

If the merger goes through, all hospitals will stay open for at least five years, Leonard noted. That’s a commitment that doesn’t exist now but can be made if the health systems work together, he said.

Mayor William Mays asked Leonard to assess the thinking from the Tennessee and Virginia health commissioners.

They are encouraging, Leonard said, and health group executives are very optimistic.
Majority favor Mountain States, Wellmont merger; FTC staff voices opposition during final public hearing

ZACH VANCE • UPDATED NOV 21, 2016 AT 10:33 PM
zvance@johnsoncitypress.com

Of the 27 people who provided public comment during Monday’s final public hearing at the Millennium Centre, 21 profoundly spoke in favor of the proposed merger between Mountain States Health Alliance and Wellmont Health Systems.

But once again, a Federal Trade Commission staff member joined three other speakers who candidly asked Tennessee Commissioner of Health Dr. John Dreyzehner to deny the health systems’ certificate of public advantage.

Alexis Gilman, assistant director for the FTC’s Bureau of Competition Mergers IV Division, was the 13th speaker to stand before the pulpit and declare the federal agency’s position on the matter.

“We wanted to convey the views and the analysis of the FTC staff,” Gilman said. “The merger of MSHA and Wellmont would be anticompetitive and the commitments and benefits they propose are likely to harm competition and consumers in the area.”

While the FTC staff was active in opposing the merger’s consideration in Southwest Virginia, it was the first time the FTC staff voiced their opinion to the Tennessee Department of Health since the certificate of public advantage application was submitted. In June, the FTC staff attended a preliminary hearing at Northeast State Community College and articulated their concerns.

“I think the FTC certainly has substantial expertise in these matters. They aren’t the only experts that we’ll be considering when coming to a decision,” Dreyzehner said.

Gilman said the hospital merger is one of the FTC’s top priorities.

“In my division, (the merger) is one of the highest priority matters. We’ve spent a little over a year investigating the merger,” Gilman said.

“Lots of attorneys, lots of economists (and) outside quality experts, so there has been a lot of resources because we think this is very important and we’re very concerned about the local effects on the community here in Tennessee.”

Dreyzehner is scheduled to meet with FTC staff members on Dec. 8 to further discuss the proposed merger.

The other opposing speakers also voiced concerns about reducing competition in the area, and a couple of speakers expressed worries about the merger, but said they would ultimately support it under certain restrictions and protections.

Highlands Physicians Association President Anthony Seaton told Dreyzehner, “Highlands Physicians feels the merger should be approved, but only if provisions for proper protections and effective ongoing state monitoring would be included in the COPA.”

The bulk of those speaking in favor of the merger were representatives or employees of either Wellmont or Mountain States.

Martha Chill, chief information officer for Wellmont, and several others told the commissioner the combination of both health systems’ electronic records would be a major benefit to patients.

Tommy Burleson, owner of Burleson Construction, said the merger would assist businesses in terms of health-care costs.

Dreyzehner said Monday’s public comments were seemingly reflective of the total comments submitted to the Tennessee Department of Health.

“I think what we’ve heard is in a lot of ways reflective of what you’ve heard tonight,” Dreyzehner said. “We’ve heard a lot of optimism and hope that with the COPA granted, it would mean a lot to the area. We’ve also heard a lot of concern that if the COPA was granted, it could also be challenging for the area.”
The Southwest Virginia Health Authority unanimously approved the proposed merger on Nov. 7 and now the Virginia Department of Health commissioner will make the ultimate decision for the state. Written comments about the merger can still be submitted via email to tn.health@tn.gov. A decision in Tennessee will have to be made by Jan. 12.

Email Zach Vance at zvance@johnsoncitypress.com. Follow Zach Vance on Twitter at @ZachVanceJCP. Like him on Facebook at Facebook.com/ZachVanceJCP.
Opposition builds in Mountain States, Wellmont Health hospital merger

By Bob Herman  |  November 23, 2016
The Federal Trade Commission and a cadre of prominent health economists are urging Tennessee officials to reject a potential merger between Mountain States Health Alliance and Wellmont Health System.

The move comes a little more than a month after the FTC made its own plea to Virginia regulators.

Mountain States and Wellmont, both headquartered in Tennessee, have been trying to combine their competing hospital systems for the past 18 months. The two not-for-profits own 19 hospitals in Virginia and Tennessee. A merged system would have about $2 billion of revenue.

Mountain States and Wellmont have submitted applications for a certificate of public advantage (COPA) in Tennessee and Virginia, which would essentially allow them to skirt federal antitrust scrutiny in favor of state oversight. Government officials, and now many health economists, are insisting those COPA applications be denied and the merger be scrapped because the combined system would result in reduced competition and higher prices for patients.

"Mountain States and Wellmont are each other's closest, most-intense competitor and together they would hold a near-monopoly over inpatient services in the area and have significant shares in several outpatient services and physician specialty service lines," the FTC wrote to Tennessee regulators this week.

Forty-six health economists—led by Leemore Dafny, a former healthcare antitrust official at the FTC who is now a professor at Harvard Business School—piled on to the FTC’s complaint. Their letter states the merger will allow Mountain States and Wellmont to inflate prices thanks to enhanced market power over insurers and employers. The letter also says cost savings from healthcare mergers are often mythical.

"There is no longer any meaningful debate in the academic community about whether competition among hospitals and other healthcare service providers is beneficial to consumers," the academics wrote. "Decades of empirical evidence on hospital and health system mergers cast serious doubt on the applicants' assertions that the proposed combination would yield substantial efficiencies."

Executives at Mountain States and Wellmont have said their proposed transaction will allow them to improve the health problems that have hit their rural communities and will save millions of dollars annually in labor costs. The hospital systems hired FTI Consulting to calculate their savings projections.
Fredrick Hart’s “Ex Niliho” is one of the famous Creation sculptures that adorns the National Cathedral in our nation’s Capitol. The working model of this breath-taking sculpture is on display right here in our region at Bristol Regional Medical Center’s Conference Center. Hart said that the human figures in “Ex Niliho “emerge from the nothingness of chaos, caught in the moment of eternal transformation — the majesty and mystery of divine force in a state of becoming.”

While admiring this magnificent work of art recently, it reminded me how Ballad Health, our new regional health system, is also emerging from an environment characterized by decades of costly regulations. This new collaborative model for health care subscribes to the economic development principle called “the triple helix,” where universities, industry and government cooperate to create a more prosperous, knowledge based economy. We will be doing more than creating a new health care system. We will be creating a dynamic regional social enterprise.

As the name suggests, we all have the opportunity to work with Ballad Health to tell a new story as our region becomes a national leader in the transformation of healthcare. We will do that not only by advancing the health care delivered in our hospitals, but also by engaging people in innovative ways outside the hospital setting to promote healthier lifestyles with
unprecedented investments in population and behavioral health programs.
In the process, Ballad will be creating new jobs in community-based behavioral health and wellness programs. Academic and research jobs will be created at East Tennessee State University’s Colleges of Medicine, Pharmacy and Public Health and at other leading regional colleges.
The merger of the Mountain States and Wellmont Foundations will combine to create the Ballad Health Foundation, which will be able to partner with community members to make new investments in entrepreneurial initiatives that drive improvements in health outcomes for our citizens. Those investments will also create new jobs, spur innovation and improve population health.
Our physician board members believe that this merger will also allow the combined health system to hire even more advanced subspecialists that would not be possible if we kept competing against one another. All of these initiatives taken together will attract employers to our region because we will have a healthier, more productive and drug-free workforce.
Though we have great regional health systems today, their competition has often resulted in an approach to regional health that is much more chaotic than strategic. Out of the chaos of competition we are creating a nationally leading healthcare system based on collaboration rather than competition that will transform and unify our region in ways that we can’t yet imagine.
Most importantly, we will maintain local control of our healthcare, which will keep healthcare dollars and jobs in our region rather than exporting them elsewhere forever out of our reach. In the process, we will be combining our own creativity
and down to earth resourcefulness in this once-in-a lifetime opportunity for our entire region to become “Better Together.”

Roger Leonard is chairman of the Wellmont Health System board of directors.
Health care is not like buying a car or jeans

The news is full of stories about the proposed merger of Mountain States Health Alliance and Wellmont Health System, but the Federal Trade Commission’s opposition could nix the proposed “cooperative agreement” between the region’s dominant health care systems, as recently reported by Johnson City Press staff writer Zach Vance.

The FTC will consider decisions from authorities in Virginia and Tennessee before issuing a final ruling. The Virginia Department of Health commissioner will make the ultimate decision on the merger’s approval in Virginia.

A public comment hearing held Nov. 21 in Johnson City saw 27 people speaking with 21 “profoundly” in favor of the merger. But three speakers asked Tennessee Commissioner of Public Health John Dreyzhener to deny the merger’s approval. Written comments may still be made via email to tn.health@tn.gov. Deadline for Tennessee to decide on the merger is Jan. 12.

Many contend the merger will drive health care costs up, but officials from Wellmont and Mountain States recently revised proposals for the merger to demonstrate that “health care prices will go up if the merger is not approved and prices will drop if the merger is approved.” This statement is backed up by commitments to implement mechanisms to hold costs down.

The FTC disagrees and says processes proposed by Wellmont and Mountain States to control costs wouldn’t “replicate the benefits of competition.” The FTC currently has a “non-public” investigation into the costs and benefits of the merger.
Conventional wisdom on monopolies appears simple: If we have only one health care system in the region with no competition, prices will go up. So, many are quick to say any monopoly is bad.

But it’s helpful to look at what competition in health care is and what it isn’t before automatically declaring the merger will drive costs up.

First, let’s look at markets where prices for goods or services can easily be compared. Take cars for example. When we buy a car, we can check the Internet and easily see what we should pay. Then, we can shop for the best deal. We can do the same for say, a pair of jeans. Prices are readily available and accurate.

Healthcare services are different. While the costs of certain procedures are available, it is difficult to compare for example, what an appendectomy will cost at Wellmont vs. Mountain States. Often, pre-admission tests, procedures and follow up care are very different.

And hospitals or other healthcare providers don’t determine what patients will ultimately pay for many services. That is determined by third party payers—insurance plans, Medicare or Medicaid for example. So, while the hospital may charge X for an appendectomy, the insurance may only pay X minus, leaving the patient responsible for the balance.

Family physicians, or whomever refers the patient for surgery, also indirectly determine what patients pay. He or she will refer to a preferred surgeon, based on many factors, without regard to costs. We usually follow our doctor’s recommendations and don’t shop around for a better deal for surgery.

Consequently, viewing health care competition as we view competition the purchase of cars or jeans is problematic that can lead to bad decisions.
But know that not all health care competition is bad. If viewed and assessed properly, competition can lead to lower costs and improved health care quality. We trust that the FTC looks at health care competition comprehensively and not only through the traditional lens of monopoly-avoidance based on competition.

Dr. Penelope Dash and David Meridith of McKinsey and Company, a world-wide consulting firm that does extensive research on health care issues, offer some insight that could benefit those who will ultimately decide if the Mountain States and Wellmont are permitted to merge.

The answer to the question “will the merger drive up costs?” is like most complex economic and social questions: “It depends.” Dash and Meridith offer the following to assess if health care competition is healthy:

• For specialized services, competition can inadvertently encourage excess capacity and duplication of facilities. We may have seen this as Mountain States and Wellmont have both devoted considerable resources to specialized services including cardiac and cancer care. This can drive costs up due to unnecessary duplication. A merger could reduce such duplication.
• For less specialized acute services, classic competition can be helpful. For example, multiple providers of elective surgery can help control costs. Such competition, which exists now, would support denial of the merger.
• Increased availability of health care data helps introduce competition by enabling patients (and in some cases, referring doctors) to compare the both the cost and quality of services. The data could first focus on metrics that can be easily gathered and readily understood, such as waiting times and patient
satisfaction scores. Over time, information about outcomes for certain procedures could be added as health systems’ data-collection ability and patients’ level of knowledge rise. While some data such as this are available, it isn’t offered in easily comparable formats or consistently published.

- Mechanisms are already in place to enhance quality while reducing costs in our region. For example, training primary care doctors who provide preventative and cost effective care has long been the focus of the Quillen College of Medicine and supported by both systems. Utilization of ancillary health providers (nurse practitioners, for example) to offer primary care services is increasing. Both systems also offer ambulatory surgery centers, retail health clinics, and telephone — or internet-based care, all low-cost alternatives. However, some of these efforts could be consolidated.

The hospital merger has primarily focused on competition to the acute sector — hospitals controlled by Mountain States and Wellmont. However, as Dash and Meridith state, acute care competition is not all to consider. Both health systems, or a single system, must continue to focus toward unleashing competition in primary care as well as providing consumers information to be properly informed about health care decisions. So, competition in health care certainly not like shopping for cars or jeans. Hopefully, the FTC weighs multiple factors as they consider what is best for Mountain States and Wellmont patients — from both a cost and quality perspective. This should be the goal.

Aubrey Lee of Johnson City is a professor in the School of Business and Economics at King University.
FTC Finds 'Likely Harm' in Wellmont, Mountain States Merger

HealthLeaders Media News, November 28, 2016

Regulators claim the deal presents "substantial risk" of higher healthcare costs, lower quality, and reduced access to care.

If consummated, the proposed merger of Wellmont Health System and Mountain States Health Alliance would lead to significantly less competition for healthcare services in southwest Virginia and northeast Tennessee, the Federal Trade Commission declared.

In a comment to the Tennessee Department of Health, FTC staff expressed concerns that the deal would "eliminate this beneficial competition" that now exists between the two neighboring health systems.

"It is clear that the new health system would have a dominant share of the market, making it a near-monopoly and allowing it to exercise significant market power," FTC staff said, adding that any state oversight likely would not mitigate the harm created by the merger.

In September, FTC regulators expressed similar concerns in comments submitted to the Southwest Virginia Health Authority, which is reviewing a cooperative agreement request.

Earlier this month, Alexis Gilman, assistant director for the Mergers IV Division of the FTC, spoke at a public hearing before the Tennessee Department of Health in Johnson City, TN, and recommended the Certificate of Public Advantage (COPA) be denied.

Wellmont, Mountain States Merger Proposal Vows Cost Containment

"The hospitals have not sufficiently justified why this highly anticompetitive merger is necessary and the only way to achieve their claimed benefits," Gilman said.

If the merger is approved by Virginia and Tennessee, the deal is exempt from FTC antitrust challenges.

"It's in the state's hands and all FTC can do is try to persuade them to see things the way they do and not issue the COPA," says Jay L. Levine, a disinterested observer and anti-trust litigator with PorterWright.

"If the COPA isn't issued, then the merger may be DOA unless the hospitals want to try and beat the FTC in court, which may be doubtful."

Leaders from Mountain States Health Alliance and Wellmont Health System have said their proposed merger would invest nearly $500 million in regional health initiatives over the next decade while holding healthcare cost growth below national averages in their two-state service area.
The proposed merger would place limits on negotiated rates with insurers, and tie healthcare cost growth for their operations in Tennessee and Virginia to the previous year's growth as measured by the federal Hospital Consumer Price Index and Medical Consumer Price Index.

In his public remarks, Gilman said the proposed rate caps may not fully control prices. "Even if they did fully control prices, the rate caps would do nothing at all to prevent harm to quality of care, and would in fact make that quality harm more likely," he said.

"Ultimately, the commitments being offered will be difficult to construct in a way that prevents the likely harm to consumers, will be difficult to monitor, and will be difficult to enforce."

In a joint response sent to HealthLeaders Media News last week, Mountain States Health Alliance and Wellmont Health System stated the proposed merger "represents the best opportunity to sustain access to high quality care while also investing in research, physician training, and new, needed services."

"The FTC has made similar arguments against other mergers, and their arguments were rejected. For example, in a recent such case in West Virginia, the FTC's arguments were rejected by the West Virginia Health Authority and the Attorney General of West Virginia."

Further, the Southwest Virginia Health Authority unanimously voted to recommend the proposed merger of Mountain States and Wellmont after considering the FTC's testimony and comments, according to the statement.

The merged system will be subject to a cap on rate increases to reduce the pace of healthcare cost growth and other commitments to protect payers and physicians. "The new system will be actively supervised by state officials to ensure these conditions are met," the statement claimed.
Ballad Health can serve as a model for the nation

By Doug Springer, M.D.

At the heart of a health care system is its medical staff. The proposed new system, Ballad Health, is proposing a structure that places physicians at the pinnacle for establishing best standards of care. Physician leadership is critical and an often underutilized resource. As a person who has served as president of the medical staff at Holston Valley Medical Center, president of the Sullivan County Medical Society, and president of the Tennessee Medical Association, I cannot emphasize how terribly important it will be for our physicians to play a key role in the future Ballad Health organizational structure.

That is precisely why our COPA application outlines the development of a Clinical Council. This council will be broadly representative and will include employed and independent doctors, specialty and general physicians, and inpatient and outpatient doctors, with these representatives emanating from all the hospitals that will ultimately compose the new health system.

The council will be responsible for establishing a common standard of care, credentialing, peer review, quality standards, and shared best practice standards. With this guidance, clinical practice procedures and policies will be standardized to promote efficiency, high standards of care, consistency, and reduction in variation across the entire region.

This “Triple Aim” will be the goal with quality and cost as the drivers. This is not possible for the separate systems to accomplish or develop for two fundamental reasons. First, the competing systems cannot legally share the proprietary information required to establish best standards of care. Second, the substantial investment of financial resources required is not available without merging the systems.

With the financial constraints of the separate systems and the rapid pace of change to the structure of the way medicine in the future is to be practiced, I feel this is a chance to hit the reset button. The creation of Ballad Health provides us with a once-in-a-lifetime opportunity to completely change the medical care model for the citizens of our coverage area.

With state approval, we have a chance to participate in shared decision making and teamwork by tearing down silos that are created by the competitive model. We have a chance for adaptive leadership that will move us from good to great. We have a chance for specialized recruitment supported by the entire region. We have a chance for the development of centers of excellence, and the resources to support innovation.

The medical professions are moving from a fee-for-service business model to a value-based care model. And the strain on resources means that none of these advancements will happen in the current competitive environment. What I desire is an agile and coordinated system in East Tennessee and Southwest Virginia that will serve as a “destination” to obtain health care. I believe that Ballad Health can serve as a model for the rest of the nation for how health care can be delivered.

I therefore believe that Ballad Health and the Clinical Council as promised in the COPA application will be extremely valuable to the new health system and will improve patient care in our region. It will be inclusive and patient centric. I urge support and approval of the COPA application by the state.

Doug Springer, M.D., is a Wellmont board member and member of the Joint Board Task Force.