

Wellmont, Mountain States Health Alliance officials make deal public

BY DAVID MCGEE | BRISTOL HERALD COURIER | Posted: Thursday, April 2, 2015
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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."



Wellmont MSHA merger

Members of the boards of directors of Wellmont Health System and Mountain States Health Alliance joined together Thursday to sign a shared vision of improving health care in the region. Seated at table, from left: Wellmont board Chairman Roger Leonard; MSHA board Chairwoman Barbara Allen; MSHA President and CEO Alan Levine; and Wellmont President and CEO Bart Hove.

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.”