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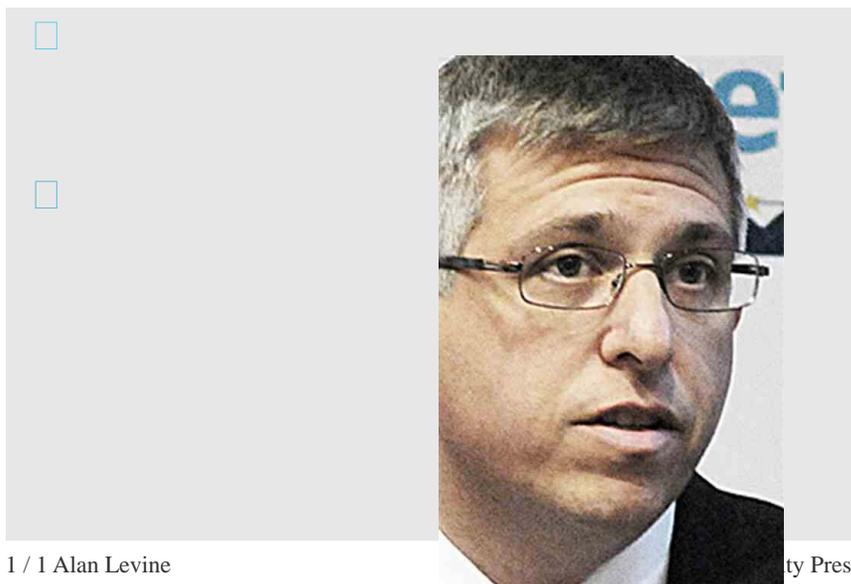
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The battle must end: Health care officials say merger is best route to serve community

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,

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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.



Cameron Coleman

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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.

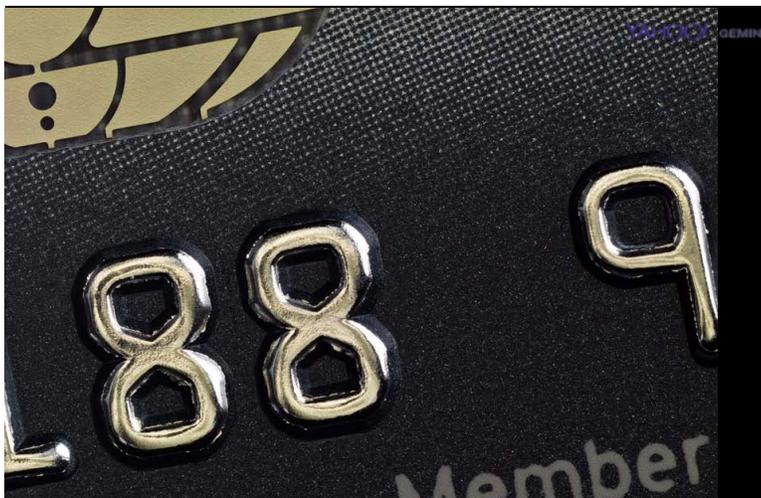
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