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FOR YOUR INFORMATION
The Lewiston Tribune
Lewiston, Idaho
Sunday Sept. 17, 2017
by Elaine Williams & Mary Stone

Q&A: MEDICAL SHOCK

Details emerge on St. Joe cuts that left L-C Valley smarting

Less than six months ago, RCCH HealthCare Partners in Brentwood, Tenn., closed a deal to acquire St. Joseph Regional Medical Center. They vowed to appoint a local board, hire the Lewiston hospital's employees and invest millions.

How much those promises mean is being debated after the new owner cut 6 percent, or 62 of its employees, in the first week of this month.

The decision is an indicator of what private ownership will look like under RCCH HealthCare Partners, which acquired St. Joe's from Ascension Health, the not-for-profit, large-scale operator of Catholic hospitals.

Being in charge of St. Joe's is a massive responsibility. The hospital has a monopoly on services such as child birth in the Lewiston-Clarkston Valley and has the highest level of emergency care of any hospital between Boise and Spokane.

RCCH HealthCare Partners has been reluctant to share details, but the Tribune has learned more since the downsizing was first announced.

Q: What role did the St. Joseph Regional Medical Center Board of Trustees play in the decision to lay off 62 employees at the hospital?

A: Board of Trustees Chairman and Lewis-Clark State College President Tony Fernandez said the layoffs were a decision made and implemented by RCCH HealthCare.

"The board did not take any action, nor was any action needed," Fernandez said. "The articles the board of trustees works under, the ultimate fiduciary responsibility, resides with RCCH."

"We (the board) do try to set the strategic plan for the hospital — the long-term goals — then work with RCCH to implement those," he said.

Details about the hospital's financial situation were presented to the board at its July 25 meeting, Fernandez said, and board members were informed at that time "that a plan was being developed by management to address some of those issues that were brought up."

"So we knew that there would be some steps taken," he said.

Board members were contacted individually the week before the action was taken, he said. "Management called each and every board member and indicated to them what the plan was."

The board members "met quickly thereafter and were further briefed," he said.

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Fernandez declined to provide details, but confirmed there was some dialogue between board members and RCCH.

"There were lots of questions by all the board members," he said. "And I really can't comment on that."

The board's questions and input likely did have some impact on the plan RCCH ultimately carried out, Fernandez said.

"I really can't go into the details," he said. "But they did listen, and we think a few things were (changed)."

Q: Who is on the St. Joe's board of trustees besides Fernandez?

A: The board of trustees is made up of nine Lewiston-area representatives as well as Sister Pat Rosholt, who was appointed by the Roman Catholic Diocese of Boise. Colin Doyle, Sallee Jones, Greg Dietrich, Alan Peterson and Paul Sanchirico are the physicians who serve on the board. Doyle is a retired ear, nose and throat specialist. Jones is a surgeon who works for the hospital. Dietrich is an orthopedic surgeon with Lewiston Orthopedics. Peterson is a pathologist with Pathologists Regional Laboratory, which, according to the most recent public record available, was the highest-compensated independent contractor for the hospital. Sanchirico is a radiologist with Phoenix Radiology.

The hospital's interim CEO Cindy Cowie is on the board and will be replaced by new CEO Blain Claypool when he arrives later this month.

They are joined by LCSC associate professor and registered nurse Ella Mae Keatts; Twin River Bank President and CEO Jody Servatius; and Port of Lewiston Commissioner Mike Thomason.

Q: Who serves on the board of RCCH HealthCare Partners?

A: Unlike the local board, the RCCH board has no physicians serving on it. Three seats are held by Apollo Global Management because RCCH HealthCare Partners is part of a fund of the multibillion dollar investment firm. The people filling those seats are Matt Nord, Rick Press and Chris Edson. The remaining board members are Marty Rash, the CEO of RCCH HealthCare Partners; Evan Bayh, a former Indiana senator; Daniel Morisette, chief financial officer of Dignity Health, the third-largest health care system in the nation; Norman Browstein, an attorney; Steve Levin, CEO of Connance Inc., a company that provides health care providers products to optimize how much they are reimbursed; and Rod Wolford, the retired CEO of two not-for-profit health care systems — Legacy Healthcare System in Portland and Noron Healthcare System in Louisville, Ky.

Q: What more has RCCH HealthCare Partners shared about its decision?

A: The hospital issued a memorandum from Cowie to its board, employees and volunteers and shared it with the Tribune. Wound, ostomy continence and foot care, as well as case management, which helps with safe discharge of patients, were two departments that were changed, according to the memo.

"Inadvertently, I did not fully understand the impact this change has on ostomy care," Cowie wrote. "We are working to rectify this situation and our desire is to meet the needs of this community related to ostomy care. Planning is in process to provide education to our staff."

The hospital experienced challenges while the transaction was being negotiated, Cowie wrote. The number of physicians on the dental and medical staff declined from 142 to 127, affecting emergency medicine, family practice, pulmonology, urology, neurology, oncology and surgery care.

Staffing has increased by 8 percent since 2013 as "there was a reduction of 72 percent in the free cash flow after capital expenditures at the hospital."

Q: RCCH HealthCare Partners acquired St. Joe's in May. The new owner agreed in the terms of the sale, which were reviewed by the Idaho Attorney General's Office, to hire employees of the hospital in good standing "in positions and at compensation and benefit levels that are no less favorable than the positions and compensation levels the employees have immediately prior to closing." Can the attorney general enforce terms of the sale?

A: No. The promise about hiring employees is contained in the purchase agreement between the buyer, RCCH HealthCare Partners, and Ascension, the seller. The attorney general's office is not a party to that agreement, said Brett DeLange, consumer protection division chief. "We don't have the authority to enforce the terms of the purchase agreement."

The authority of the attorney general's office is focused on how the assets of a not-for-profit hospital are disposed of, DeLange said.

The Legislature wants to make sure that charitable assets of a hospital are protected when that hospital sells to a for-profit entity. It requires the attorney general's office to review six factors, including if due diligence has occurred in selecting a buyer and negotiating the terms of the sale, DeLange said.

The attorney general's office found the sale of St. Joe's met that standard for a variety of reasons, including the provision about hiring employees, DeLange said.

However, now that the sale is closed, the attorney general has no power over any of the provisions, including ones that say charity care will be kept at the same level and the emergency room will be maintained for at least five years, DeLange said.

The agreement the attorney general's office has with the parties in the sale governs what happens to some of the $109 million involved in the transaction. The attorney general will make sure that $23 million of the proceeds are transferred to Lewis-Clark Valley Healthcare Foundation, along with $2 million contributed by RCCH HealthCare Partners.

So far $2 million has been given to the foundation and another $23 million will follow once the new organization obtains its 501c3 nonprofit status from the IRS, DeLange said. That paperwork has been submitted and is being processed by the IRS.

The foundation is supposed to spend the money on projects that improve health care in the region.

Q: The terms of the sale were between RCCH HealthCare Partners and Ascension. How does Ascension feel about the job cuts?

A: It is not known. Ascension declined a request to comment on this story.

Q: What about the promise to invest or commit to invest $57 million in capital projects the first five years of ownership?

A: RCCH HealthCare Partners still plans to do so. The company has a number of revenue sources at its disposal. It is selling the real estate of the hospital to Medical Properties Trust, a third party that owns the real estate of 300 to 400 other hospitals, including some in the RCCH network.

The proceeds from that transaction are helping cover the cost of purchasing St. Joe's and the upgrades. The money isn't free, though. St. Joe's will pay to lease its buildings from Medical Properties Trust.

Q: St. Joe's made job cuts in 2013. How does this compare?

A: Back then, the only caregivers identified who lost their jobs were seven certified nursing assistants. This time nurses are among those receiving pink slips. Last week's reductions brought the number of employees at St. Joe's to 956. That's almost the same as what it was after the downsizing in 2013.

Q: RCCH HealthCare Partners cited the nearly three years it took for the company to acquire St. Joe's as a reason for having to make the cuts. While the ownership of the hospital was in question, minimal investment was made in services and physician recruitment as patients went elsewhere. That put the hospital in a situation where the number of staff outnumbered the need, according to RCCH. Why did the transaction take so long?

A: The hospital announced it was seeking a new owner in September 2014 and reached a tentative deal with Capella Healthcare in June 2015. Capella merged with RegionalCare Hospital Partners in 2016, forming RCCH HealthCare Partners, a company that's a part of Apollo Global Management. All of the parties to the sale repeatedly declined to answer questions about how much time they took working on the deal.

Those involved in the sale also dragged their heels in making disclosures to the Idaho Attorney General's Office required by law. The attorney general's office received the official notice of sale in October 2016, more than one year after it was announced.

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