

LOUISVILLE BUSINESS FIRST

JUNE 17, 2011

BusinessFirstofLouisville.com



Merger leads to investments at hospitals

Catholic Health Initiatives will inject \$620 million into new health care company

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The merger of three health systems will result in a major capital investment into Louisville's downtown health campus.

University of Louisville Hospital, Jewish Hospital & St. Mary's Health-Care Inc. and St. Joseph Health System announced this week in Frankfort that they have approved a merger of the three organizations.

As a result, Denver-based Catholic Health Initiatives Inc. — the parent of St. Joseph and a 25 percent stakeholder in JHSMH — will inject \$620 million into the new statewide entity.

Of that, at least \$200 million is earmarked for the University of Louisville's academic medical center downtown.

Those funds will pay for "a combination of people, providers, capital and equipment," said Dr. James Taylor, president and CEO of

University Medical Center Inc. "So it is a really exciting opportunity."

Physical space likely not needed immediately

The merger will not officially take place until federal regulators and Catholic church officials sign off, which could take as long as 12 months. Until then, the entities will continue to operate independently.

CHI will own 70 percent of the new entity, followed by 16 percent for U of L Hospital and 14 percent for JHSMH.

Taylor said officials from U of L Hospital will convene in the coming weeks to discuss specific uses for the capital investment by CHI.

But as early as 2007, Taylor and others at the hospital had identified a plan for capital needs, including new inpatient and outpatient space as well as an expansion of the James Graham Brown Cancer Center.

He said the early investments likely won't include expansion of the physical campus of U of

Medical Merger



L. Hospital because the merger "effectively doubles" the size of the academic medical center downtown.

"University Hospital is full," Taylor said. "But Jewish has Frazier (Rehab Institute), which has some space available. We think collectively we

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Training of new physicians will be a key focus of new organization

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will have enough space."

JHSMH affirms commitment to research and education

Officials with JHSMH also expect to reap benefits from the merger by way of facilities improvements and other investments.

In addition to the \$200 million for Uni-

versity of Louisville Hos-

pital, CHI plans to invest another \$320 million in-

ally to support new health services within the network and another \$100 million later.

Part of that investment likely will occur at St. Joseph facilities in Lexington, Bard-

stown, Berea, London, Mar-

tin and Mount Sterling, Ky.

As part of the new network — which is expected to get a new name within a few weeks — JHSMH fa-

cilities in Louisville also could receive some of the investment funding.

LouAnn Atlas, chair-

woman of the JHSMH board, said her organi-

zation still is developing its priorities for any capital invest-

ment from CHI.

Dr. Gerald Temes, chairman of the Jewish Hospital HealthCare Services board, said his organization

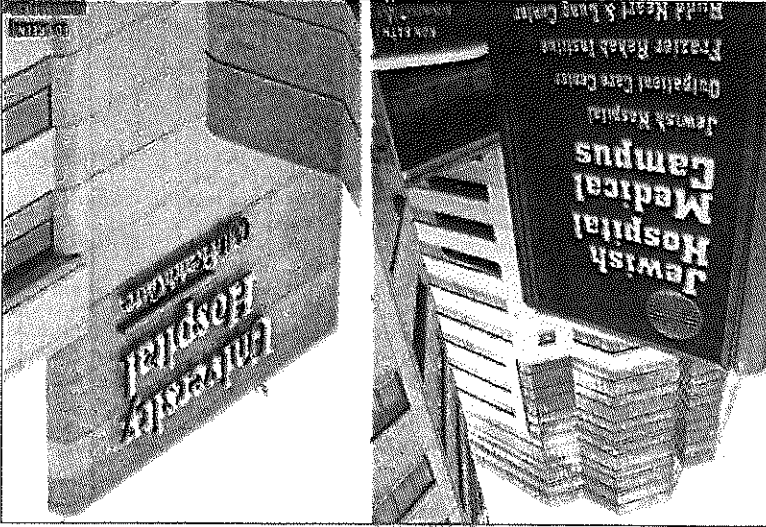
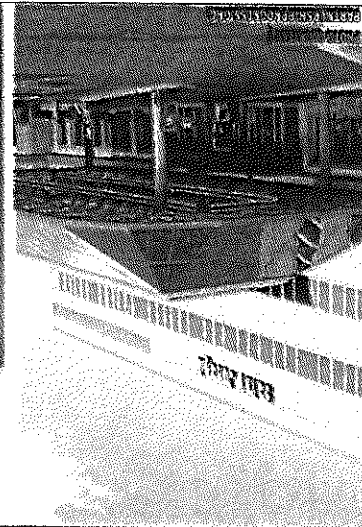
ate JHSMH in 2005, said his organization



Temes



Key facilities of the newly merged entity include St. Joseph Hospital in Lexington, left, Jewish Hospital, center, and University Hospital, both in Louisville.



Physician recruitment, training part of strategy

Training of new physicians also will be a key focus of the new organization, officials of Health System, said the merged network will leverage the ability to partner with U of L for education and research to attract new physicians to the network.

"As a physician, I have a keen understanding of the state's health status and need for more doctors," Varga said. "We will focus on retention and recruitment in the area of primary care and targeted subspecialties in rural areas. We can coordinate medical education across the state."

"The newly merged entity will be one of the largest employers in the state with more than 15,000 employees. St. JHSMH has about 7,850 employees, Joseph Health System has about 5,000 and U of L Hospital employs about 2,650.

Paul W. Edgett III, CHI's senior vice president, said the merger could lead to annual savings of \$150 million, but he said there are no plans to reduce employment.

"We can achieve those savings through better efficiency in how we deploy our resources," Edgett said.

Mary Elise Biegert, CHI's director of sources," Edgett said.

increase employment."

"As the system grows, we believe there will be opportunities for new types of care in more ambulatory settings and technology us-

ing robotics," he said. "We hope to grow access points and then, as a result of that, increase employment."

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