



Hospital deal extended again

Capella will manage, not own Karesh wing

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For the fourth time, members of the KershawHealth Board of Trustees voted Monday night to extend a letter of intent involving the lease/purchase of the hospital by Capella Healthcare of Franklin, Tenn. The deal -- originally set to close back on March 31, was initially extended to May 31 and then twice more to June 30 and July 31. The board voted unanimously, 8-0, Monday to extend the deal yet another month to Aug. 31.

The extension appears tied to two things: 1) a recent request from Capella to manage, but not purchase KershawHealth's Karesh Long Term Care Center; and 2) a favorable, but not unanimous, vote Monday night to purchase remaining parcels of the old Pine Tree Hill Elementary School (PTHS) site on Lakeshore Drive.

According to a July 22 internal memo circulated to all KershawHealth employees obtained by the Chronicle-Independent, Capella asked the board in June if it would be willing to continue owning and operating the long term care center.

"This change would require KershawHealth to continue in a direct oversight role of Karesh," Board Chair Karen Eckford and CEO Terry Gunn said in the memo.

In the memo, Eckford and Gunn said the board assessed Capella's request, conducting an "extensive financial analysis" as well as further due diligence.

"We are pleased to report that after conducting a full review of Capella's proposal, KershawHealth has decided to continue with its control and oversight of Karesh," they said in the memo. "Immediately following the closing, we expect that Capella will oversee the day-to-day operations of

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Karesh Long Term Care and employ the Karesh staff. We expect that Capella would continue to manage Karesh for the near term. Ultimately, the board will conduct a competitive process to identify a long term care management partner charged with ensuring that Karesh continues to provide the very best care to its patients.”

In other words, Capella will manage the Karesh center on behalf of KershawHealth, but not lease nor purchase the facility with the rest of the hospital, and will manage it until KershawHealth finds a new partner for Karesh. Nothing in the letter appeared to rule out possibly selling Karesh to a third party.

KershawHealth officials issued a press release Tuesday morning which used substantially the same language as the July 22 memorandum.

Following the vote to extend the letter of intent, the board voted, 6-2, with trustees Bobby Jones and Susan Outen voting against, to purchase the remaining parcels of PTHS property from the city of Camden. The city recently rezoned those parcels from R-15 residential to OI (Office Industrial). The board passed both measures following a lengthy executive session.

In March 2010, the Kershaw County School District began selling off portions of the old PTHS property. Lakeshore Drive Church of God purchased a 1.54-acre portion of the property, followed by the city of Camden’s purchase of 14.67 acres for \$350,000. The city soon sold off a little more than 7.02 acres to KershawHealth for \$113,756, including the buildings which made up the former school.

KershawHealth is now purchasing two parcels from the city totaling 7.65 acres from the original school district property and another 4.39-acre adjacent parcel owned by the city since 1994, according to online county records.

When complete, KershawHealth will own a total of 19.06 acres of property, nearly 4 acres larger than its main campus just a few blocks away at Roberts and Haile streets.

The idea of possibly moving Karesh to the old PTHS site actually comes from KershawHealth’s long-term strategic plan, approved by the board in April 2014. At the time, Gunn said the old school buildings would be replaced by a totally new facility. There was also a chance, he said, KershawHealth would expand into the assisted living and independent living business through strategic partnerships.

During a phone interview, KershawHealth attorney David Summer said the revised deal will not affect Capella's \$35 million payment to lease the hospital's real estate and purchase its furniture, fixtures and equipment. Summer also confirmed Karesh's status as part of a governmental entity -- KershawHealth's board is appointed by Kershaw County Council -- allows it to receive approximately \$1 million in government reimbursements.

"Capella is not a governmental entity, that's why it's not purchasing it," Summer said, referring to the Karesh center. "It's less attractive to them."

Summer also confirmed those working in the Karesh wing would be Capella employees and, therefore, would be eligible for a new benefits package being offered by the company.

Although he said he is unaware of any immediate plans to move Karesh to the old PTHS property, he said it was "logical" to conclude KershawHealth is purchasing the remaining property in order to keep that option open.

"It's consistent with the strategic plan," Summer said.

Exactly how the board, as the hospital district, will keep Karesh going financially, purchase the PTHS property and, potentially, move and expand Karesh there is an as yet unanswered question. Capella will not be part of that equation, Summer said.

"It will be up to the district to keep it viable," he said, but added it would be "speculative" at this time to presume trustees would use part of Capella's payment to achieve those goals.

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