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Monday is deadline for KH/Capella deal

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Monday is deadline day for KershawHealth, Capella Healthcare of Franklin, Tenn., and MUSC Health -- the patient care arm of the Medical University of South Carolina. Monday marks the latest expiration date for a letter of agreement for Capella and MUSC Health to take over operations of the county's public hospital, converting it to a for-profit business.

Following adjournment of the KershawHealth Board of Trustees' meeting Wednesday evening, hospital attorney David Summer said documents finalizing the deal could be signed on Monday.

"The finalized documents will be reviewed by the full board Monday," Summer said, indicating the agreement could be signed that day and made public either that afternoon or Tuesday morning.

The board moved its meeting from Monday to Wednesday so KershawHealth and Capella could spend more time to work on finalizing the agreement, thus providing the board with more information to consider. Wednesday's meeting started at 6 p.m. and trustees moved through the agenda in about 20 minutes but then spent nearly two hours in executive session discussing the pending transaction.

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The transaction will involve Capella Healthcare paying the board \$35 million to lease all of KershawHealth's real estate -- land and buildings -- for 40 years and purchase all its furniture, fixtures and equipment. The one exception is KershawHealth's Karesh Long Term Care wing, which will continue to be governed by the board, although Capella has agreed to manage the facility until the hospital can find another partner.

Capella began collaborating with MUSC Health in 2014, forming a network so far comprised of only one hospital: Carolina Pines Regional Medical Center in Hartsville, which Capella purchased in January for \$75 million. KershawHealth will become the second hospital in the network once the transition takes place.

The letter of intent, signed in December, originally had a March 31 expiration date, but trustees voted to extend the date several times, resulting in Monday's latest deadline.

Following the executive session, the board unanimously voted to engage Sheheen Hancock & Godwin LLP "for the provision of payroll servers related to the [hospital's] defined benefit pension plan." KershawHealth froze the pension plan about 10 years ago, and implemented a 403(b) retirement option.

KershawHealth CEO Terry Gunn and Executive Vice President and COO/CFO Mike Bunch did not attend Wednesday's meeting. Board Chair Karen Eckford said Gunn and Bunch were attending a Capella leadership conference in Nashville in preparation for the coming transition.

In Bunch's absence, KershawHealth Comptroller Debbie Johnson discussed July's finances, reporting an operating loss for the month of \$655,000 and a decrease in net assets of \$588,000. Surgical cases dropped by 12.9 percent compared to July 2014, while inpatient admissions decreased by 15.2 percent in comparison to a year ago. However, emergency department visits increased by 9.2 percent compared to July 2014.

In addition, Johnson said "meaningful use" receipts -- tied to KershawHealth's use of electronic health records -- in July were only \$158,000 versus \$831,000 a year ago. She also said bad debt and charity were above prior year by nearly \$740,000, or 25.4 percent versus July 2014.

Cash and investments on hand, Johnson reported, increased from 94.3 to 97.7 days, standing at \$32.8 million. However, she said the increase in cash was primarily due to a \$1.2 million disproportionate share hospital payment.

Answering a question from Trustee Derial Ogburn regarding the decrease in surgeries, Johnson noted KershawHealth is without a neurologist at present. In addition, Director of Ancillary and Post-Acute Services Danny Wharton said a local cardiologist is now performing nuclear medicine tests out of his office where they previously used the hospital.

Trustee Steve Holliday Jr. asked about a 14 percent drop in patient supplies expenses. Wharton said this was likely due to the reduction in surgeries and the transfer of emergency management services (EMS) to the county.

Trustee Wayne Tidwell noted a sharp reduction in Elgin Urgent Care visits during the last several months. Board Vice Chair Dr. Tallulah Holmstrom Holmstrom said it was likely due to people being on vacation and expects to see an increase now that students are back in school.

In other business:

- Holmstrom reported on the Joint Commission's (JC) recent four-day survey of the hospital. She said a number of JC surveyors visited KershawHealth. Holmstrom said the JC reported six indirect and six direct findings for the hospital and five direct and five indirect findings in home health care. The home health findings will trigger a follow up survey within 30 days, but Holmstrom said all findings are being corrected by KershawHealth staff. Holmstrom said she attended the JC's opening and closing sessions at KershawHealth, both of which she said included favorable comments about the hospital, including complements to home health nurses.
- Ogburn, reporting from the board's contracts committee, said it reviewed a draft of the Capella contract to manage the Karesh unit.
- Eckford went over the board's proposed schedule for September.
- Holmstrom apologized for "dropping the ball" on drafting a commendation for KershawHealth staff thanking them for their commitment during a powerful Aug. 6 storm. She said her oversight in no way reflected any desire not to recognize the staff for their efforts.
- During trustee comments, Eckford read a letter from Kershaw County Councilman Jimmy Jones on behalf of a county family praising the hospital, EMS personnel and other first responders and medical personnel whose child had suffered a snake bite. Jones said the child would likely not have survived if local personnel had not coordinated their services, provided advanced treatment here and the child's timely transfer to a Columbia hospital.

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