



Signing day for KershawHealth board chair

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KershawHealth Board of Trustees Chair Karen Eckford (center) formally signs the finalized agreement Friday for Capella Healthcare and MUSC Health to take over operations of Kershaw Health beginning Nov. 1. Looking on are (from left) Board Vice Chair Dr. Tallulah Holmstrom and trustees Bobby Jones, Eric Boland, Wayne Tidwell and Derial Ogburn. Not present: trustees Steve Holliday Jr. and Susan Outten. A joint celebration with Capella/MUSC officials is set for Oct. 7.

Photo: Jim Tatum/C-I

“Now, we truly are prepared to move forward together with Capella/MUSC,” KershawHealth Board of Trustees Chair Karen Eckford declared Friday morning before formally signing documents which will make Capella Healthcare of Franklin, Tenn., and MUSC Health the operators of KershawHealth for the foreseeable future.



Capella and MUSC will take over hospital operations Nov. 1, not Thursday, as originally announced. That is due to the legal closing of the \$35 million lease/purchase transaction now being scheduled for Oct. 30. A joint KershawHealth/Capella/MUSC event is scheduled for Oct. 7 to celebrate the transfer.

Eckford signed the finalized agreement in the Med II waiting area at KershawHealth's medical center in Camden with fellow trustees, KershawHealth officials, attorneys and staff on hand as witnesses. Eckford signed three documents, which were made public immediately after the brief ceremony.

The first agrees to have Capella and MUSC, operating as Kershaw Hospital LLC, purchase -- among other things, and with exceptions:

- KershawHealth's accounts, including patient and bank accounts;
- all of KershawHealth's records, including patient records;
- all of KershawHealth's "tangible personal property ... including all major, minor and other equipment, vehicles, furniture and furnishings, fixtures, machinery and instruments;" and
- all real property except the hospital (main campus) and Elgin outpatient/urgent care center, which will be leased to Kershaw Hospital LLC.

It was unclear at press time Sunday whether this means Capella and MUSC Health are purchasing the West Wateree Medical Center, a number of homes purchased by and converted to KershawHealth use during the last decade, or any other KershawHealth-owned real estate.

In addition to continuing to own the main hospital and Elgin center, the board will retain ownership of any cash, cash-equivalents, short-term investments and checks received prior to the sale. It will also retain ownership of certain portions of the former Pine Tree Hill Elementary School property and the old Burndale Shopping Center. Also exempted from the sale are any emergency management services (EMS) equipment, recently taken over by Kershaw County, and any assets connected with the KershawHealth Foundation.

As agreed to earlier this year, trustees will also maintain ownership of the Karesh Long Term Care Center.

Capella and MUSC Health, as Kershaw Hospital LLC, will pay \$13.3 million to purchase KershawHealth's assets. Kershaw Hospital LLC will make an additional lump-sum payment of



\$21.7 million to lease the main hospital and Elgin center for 40 years. The lease was the second document Eckford signed Friday.

The two payments add up to the \$35 million agreed-upon price. \$4.5 million of this amount will be paid to an escrow agent (U.S. Bank N.A.), reducing the actual lease payment to \$17.2 million, which is further split into \$17.088 million for the buildings and \$712,000 for the land on which they sit.

In addition to the \$35 million, Capella and MUSC Health are agreeing to make no less than \$55 million in capital expenditures during the first 10 years of the lease. Kershaw Hospital LLC will consult with a yet-to-be formed local board of trustees concerning such expenditures. The collaboration is also agreeing to undertake what has been described as an aggressive physician recruitment effort during the first three years of the agreement while also granting membership to all medical staff currently in good standing.

Although Kershaw Hospital LLC is neither purchasing nor leasing the Karesh unit, it is agreeing to pay for the unit's utility costs since they cannot be separately metered from the main hospital. However, the board is also agreeing to reimburse Capella and MUSC Health as part of a management services agreement for Kershaw Hospital LLC to operate the Karesh center on KershawHealth's behalf.

The lease agreement includes a section which would allow the board to take back ownership and operation of KershawHealth in the event Kershaw Hospital LLC "defaults" on its obligation to provide healthcare services to the public. Capella could default by failing to operate as an acute care hospital or by not providing core services, including medical/surgical, home health, hospice, OB/GYN, ICU, emergency room and certain ancillary services.

Capella and MUSC Health are agreeing to provide core services for at least the first five years of the lease and to work with the current board of trustees on a strategic plan. The board approved a strategic plan of its own in early 2014 which led to the decision to seek out partners to keep KershawHealth operating in the face of a possible \$32 million loss by 2018.

The Karesh management agreement was the third document Eckford signed Friday morning.

The agreement lists Kershaw Hospital LLC as Karesh's "manager," with KershawHealth -- continuing as an arm of Kershaw County government -- as its "operator." The board will pay Capella and MUSC Health, as the LLC, a \$25,000 per month management services fee, plus 1 percent of Karesh's staffing expenses.



In managing Karesh, Kershaw Hospital LLC will hire a licensed nursing home administrator who, among other things, would be required to attend KershawHealth board meetings in order to report on the facility's financial and operational status.

Capella and MUSC Health, through its LLC, will work with the board to come up with an annual budget. If for any reason the two entities can't come up with a budget together, the budget will automatically be based on the previous year's actual expenses, with a 3 percent increase.

As of 12:01 a.m. Nov. 1, KershawHealth will become part of the 10-month-old Capella-MUSC Health Network, the official name of the two organization's collaboration. The network launched Jan. 1 when Capella purchased Carolina Pines Regional Medical Center in Hartsville for \$75 million.

According to a press release following Friday's signing, Terry Gunn will continue as KershawHealth's chief executive officer. Current KershawHealth Executive Vice President and COO/CFO Mike Bunch will retain his role as chief financial officer under the new organization. A national search is being launched to hire a separate chief operating officer so Bunch can focus exclusively on his CFO role. Also staying on as part of Kershaw Hospital LLC's senior management team are Chief Nursing Officer Stacy Collier, Vice President of Human Resources Angela Nettles and Chief Quality Officer Divya Reddy.

"At a challenging time for community hospitals, this affiliation offers an exceptional opportunity for our medical staff, employees, patients and the community at large," Gunn said in the press release. "It is exciting for KershawHealth to be a part of this innovative partnership that will ensure the future success of community-based healthcare in South Carolina."

In the press release, Capella President and CEO Michael Weichart said the company has become "even more enthused" about the partnership as it has gotten to know the Kershaw County community and its healthcare providers.

"Like us, KershawHealth is committed to providing the highest quality of care and to exceeding patients' expectations," Weichart said. "With more than a century of service, KershawHealth is a significant and well-respected community asset, and we are ecstatic to become its partner for the future. Our goal in working together is to ensure the continued delivery of high quality local healthcare, expand services and provide seamless access to the advanced care available through MUSC Health."

Dr. Patrick J. Cawley, CEO of MUSC Medical Center, said KershawHealth "fits perfectly" into MUSC Health's mission.



"Our goal is to bring our deep and comprehensive resources in clinical excellence, patient safety, healthcare provider education and physician development to communities throughout this state," Cawley said in the press release. "We are pleased KershawHealth and Carolina Pines are on the leading edge of this initiative, which will transform healthcare delivery -- and, ultimately, health outcomes -- in the region. Working together with Capella, with its proven expertise in running hospitals, enables us to accelerate our progress."

During Friday morning's ceremony, Trustee Derial Ogburn praised Eckford for her role in finalizing the agreement.

"Karen has worked untold hours on this issue -- no one knows how much time she has taken away from her business and her family to do this -- and we can't leave here today without saying, 'Thank you,'" Ogburn said.

Eckford returned the compliment.

"I could say the same thing about all of us. It has been a labor of love -- it's been an incredible investment of time and energy, at times overwhelming -- but the result is so worth it," Eckford said, adding of Capella, "Their focus on quality and community is parallel to KershawHealth. The people of Kershaw County can be assured KershawHealth will operate as it has -- only even better."

In her pre-signing remarks, Eckford recognized her fellow trustees, Parker Poe attorneys David Summer and Walt Cartin, and Mark Quigley of accountants Sheheen Hancock and Godwin.

"As we began this journey almost a year ago, we had one priority and focus in mind: to preserve our local hospital/healthcare system," Eckford said. "After an elaborate strategic planning process, involving most of you in this room, we realized that due to changes in the industry and other factors, we would be unable to sustain operations without assistance."

That realization, she said, led to a process of identifying prospective partners before choosing Capella Healthcare and MUSC Health.

"We have selected the most appropriate partners to ensure our future success. (They) share our mission and vision so closely that it is simply amazing," Eckford said.

In addition to the joint Oct. 7 celebration, the public is also being invited to an event planned for the first week of November when new signage reflecting the partnership is unveiled.

The board is scheduled to receive another update and further legal advice regarding the Capella/MUSC transaction during its meeting tonight at the Health Resource Center. The



open portion of the meeting will also include a quality update and report from Vice Chair Dr. Tallulah Holmstrom, CEO report from Gunn, CFO report from Bunch, and contracts and executive committee reports from Ogburn and Eckford.

The meeting begins at 6 p.m. and is open to the public.

(The online version of this article has been modified to correct the cutline of the accompanying picture to accurately reflect Kershaw Hospital LLC's takeover of KershawHealth will actually take place Nov. 1. A correction will appear in the Wednesday, Sept. 30 printed edition of the C-I. We regret the error.)

<http://www.chronicle-independent.com/section/47/article/40949/>