

PUBLIC FORUM RE: PORTAGE
HEALTH/PROPOSED JOINT VENTURE

PUBLIC FORUM RE: PORTAGE HEALTH

September 23, 2013

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STATE OF MICHIGAN

DEPARTMENT OF ATTORNEY GENERAL

OFFICE OF HEALTH, EDUCATION & FAMILY SERVICES

In the matter of:

PORTAGE HEALTH/

PROPOSED JOINT VENTURE WITH

DUKE LIFEPOINT HEALTHCARE

/

PUBLIC FORUM

600 East Lakeshore Drive, Houghton, Michigan -
Monday, September 23, 2013 - 5:00 p.m.

APPEARANCES:

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MR. JOSEPH KYLMAN, Auditor

For Portage
Hospital:

MR. JAMES BOGAN, CEO

For Duke
Lifepoint:

MR. WILLIAM CARPENTER, CEO

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24
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TABLE OF CONTENTS

PAGE

Opening Remarks by Ms. Katharyn Barron 4

Opening Remarks by Mr. James Bogan 4

Opening Remarks by Mr. William Carpenter 8

Opening Remarks by Mr. William Bloomfield. 12

Overview by Ms. Katharyn Barron 14

Public Comment by Mr. Steve Zutter 17

Public Comment by Mr. Dennis Harbour 19

Public Comment by Mr. Glenn Simila 21

Public Comment by Mr. Glenn Anderson 23

Public Comment by Ms. Marilyn Clark. 25

Public Comment by Ms. Barbara Rose 27

Public Comment by Mr. Philip Johnson 30

Public Comment by Mr. Bill Laitila 32

Public Comment by Ms. Lennon Mattila Hughes. 34

Public Comment by Mr. Donald Simila. 36

Closing Comment by Mr. Bogan 38

Closing Comment by Mr. Carpenter 38

Closing Comment by Ms. Barron. 41

1 Houghton, Michigan

2 Monday, September 23, 2013 - 5:03 p.m.

3 MS. BARRON: Welcome, and thanks for taking time
4 out of your busy and beautiful day to join us here to
5 discuss the future of Portage Health. The Attorney
6 General's office is hosting this forum today to gather your
7 input about the proposed joint venture between Portage
8 Health and Lifepoint Hospitals. We've asked representatives
9 from Portage Health and Lifepoint to attend today's forum so
10 they can listen and respond to your concerns. Representing
11 Portage is Chief Executive Officer James Bogan, and
12 representing Lifepoint is Chairman and CEO of Lifepoint
13 Hospitals, Bill Carpenter. We'll move to the point where
14 they can give just a brief overview of the sale.

15 MR. BOGAN: Thank you very much. I'd like to --
16 representing Portage, I'd like to thank everybody from the
17 community in attendance today to come to this public
18 hearing. Hopefully all of your questions can be answered.
19 I'd like to start basically of a little bit of the
20 background on where we're at and how we got where we are.
21 This is all, from our perspective, in the best interests of
22 the community. And why did we do this? A couple major
23 points: Health organizations are facing tremendous fiscal
24 pressures, access to future capital, the shortage of
25 physicians in some specialty areas, the Federal Health

1 Reform, which is out there, the other -- why we did it was
2 to enhance the quality outcomes, improve and offer clinical
3 services. The quality outcomes come about from Lifepoint's
4 great relationship that they have with Duke Healthcare, and
5 Duke Healthcare has got a tremendously great national
6 reputation for both patient safety and quality initiatives.
7 The other reason why we did this is to reach out to a
8 partnership, and that's what this is, is a partnership to
9 basically seek some of the corporate support services which
10 would help strengthen our operations and provide resources
11 to succeed.

12 A couple of the areas where we're at, we got there
13 through a whole series of events, and I'm just going to
14 touch on a few of them so you understand that this decision
15 was very well thought out, there was a lot of input into the
16 decision. And we started this basically -- the Board at
17 Portage started in January of 2012, and we started exploring
18 the potential for affiliation opportunities. In February of
19 2012, we sent a letter off to Marquette General Hospital and
20 three other hospitals inquiring of their interest. At that
21 point, that was a very, very informal process; it wasn't
22 very structured. In March of 2012 I was in attendance at a
23 presentation that was put on by a group called the Juniper
24 Advisory Group. And Juniper did a presentation to the
25 Superior Health Partners here in the Upper Peninsula. From

1 that presentation, there was discussions that ensued, and we
2 were able to engage Juniper as an advisory firm in May of
3 2012. In June of 2012, Juniper started doing additional
4 board education for our Board about the idea behind an
5 affiliation, a partnership. Along with it, the Affiliation
6 Committee of our Board was formed in September of 2012, and
7 we started analyzing and taking a look at potential suitors,
8 also in 2012. Juniper operates from a controlled,
9 competitive process; that's how they determine the value and
10 the price of a particular venture or endeavor. In 2012,
11 Portage did, with Juniper, send out letters of interest to
12 31 hospital and health systems throughout Michigan,
13 Wisconsin, primarily those two states. In October we
14 received back 12 executed confidentiality agreements, and
15 also in October we basically had four initial offers out of
16 the 12 that executed a confidentiality agreement. Four of
17 those responded back with an initial offer. The Board
18 selected two finalists in October, and in November we
19 entailed our due diligence by having the two finalists come
20 up to Portage, visit the community, understand what we have
21 to offer as a healthcare organization, and then the two
22 finalists were narrowed down from the four we had received.
23 The two finalists then were involved in our process to do a
24 reverse due diligence, which is Portage had representatives,
25 six of us, who traveled to the two finalists' locations to

1 see them, to see how they operate, to understand their
2 philosophy and where they were going. And they were all
3 very positive. With that, Juniper came back and issued a
4 second instruction letter to the two finalists. With that,
5 out of that came in December of 2012 the approval of
6 Lifepoint as our advisory consultant. And from there we
7 went on from December, we moved into 2013, we spent a lot of
8 time developing a letter of understanding, and then from
9 there we went on and developed a definitive agreement. That
10 process took a little bit of time, and some of those areas
11 that we have that we expended those months were basically
12 looking at what we could receive, obviously, in a
13 partnership with Lifepoint. The partnership is basically
14 built upon the community and the interest we have in making
15 sure the community is satisfied with what we've created. We
16 did not -- this is not an acquisition; this is a partnership
17 split on an 80/20 basis.

18 Dedication -- some of the reasons that Lifepoint ended
19 up being our finalist was they aligned with us on several of
20 the key issues: Commitment to preserve jobs for all of our
21 employees. That commitment is there. Dedication to a
22 collaborative relationship with our medical staff, which
23 includes the heavy emphasis going forward on recruitment of
24 different specialties. Dedication to the quality of care
25 and service for their patients, and that, again, is working

1 with Duke Healthcare in development of that. Involvement
2 in -- and also the importance of local governance was
3 recognized by both parties, and we structured it that way.
4 Support for the health and well-being of all of the
5 communities in the U.P. is something that Lifepoint is in
6 focus on and feels very strongly about. A couple things why
7 Lifepoint also are -- they are eliminating all of our long-
8 term debt in this transaction, which is very important.
9 It's very important, also, that the labor contracts will all
10 be assumed as is.

11 From that, we ended up with that definitive agreement.
12 Basically a jointly owned entity that's operated jointly by
13 Portage Health and Lifepoint, and that also includes our
14 affiliated assets. Also, as I stated, the 80/20, but the
15 80/20 Lifepoint was able to give us the opportunity for
16 equal governance at the 50/50 level; 50 percent Lifepoint,
17 50 percent Portage. But even beyond that, Lifepoint also
18 offered the opportunity for our Foundation going forward to
19 be able to select one of their members on their side -- this
20 is block voting, block A's and block B's. And it's block
21 voting, but it's represented by four and four; four
22 representatives on each side. But one of Lifepoint's four
23 is actually an appointment or a selection that we're
24 recommending from Portage's side. So Portage actually has
25 the ability to have five representatives at the governing

1 board level.

2 The joint venture has a commitment of capital of 60
3 million dollars. Approximately 40 million above the 60 will
4 be available in excess proceeds, which will enhance the
5 reconstituted charitable Foundation that's being developed.
6 Additional taxes will be paid by the joint venture to add
7 the resources to our community. Also, it's going to help us
8 with purchasing power, enhancing our operational
9 efficiencies and they're willing to invest in state of the
10 art equipment and the facility upgrades. And as evidenced
11 by the public media this week, you can see that Lifepoint
12 has a very strong commitment to capital.

13 In closing, this whole transaction is related to the
14 issue of what does the community need, what does the
15 community want. We feel, in closing, that Portage, working
16 with Lifepoint, have a tremendous opportunity to determine
17 how it will continue to deliver quality, affordable and
18 accessible healthcare. Portage and its leadership team
19 support the strong partnership with Lifepoint, who has
20 committed to grow, not reduce, local healthcare capabilities
21 in our community. Thank you.

22 MR. CARPENTER: Thank you. I'm Bill Carpenter,
23 the Chairman of the Board and Chief Executive Officer of
24 Lifepoint Hospitals. And on behalf of Lifepoint Hospitals,
25 thank you all for taking the time to be here this afternoon.

1 Thank you also to the Attorney General Schuette and
2 representatives of the Attorney General who are here today
3 and conducting this very important hearing. Lifepoint
4 Hospitals owns and operates 57 hospitals in 20 states across
5 the country in communities that look an awful lot like
6 Hancock and Houghton. Lifepoint Hospitals has been in
7 business for approximately 15 years, and we've been
8 successful, I think, because we first listen to the needs in
9 each one of those communities, recognizing that healthcare
10 needs in each one of those communities is different. And
11 through listening to the community's needs, we then have the
12 ability to bring resources from our company, which is in
13 excess of a 3.5 billion dollar enterprise, to be able to
14 help solve the very complex healthcare needs that exist in
15 community hospitals today. Our belief is that by keeping
16 care local, we have the ability to help provide better care
17 in communities, and so that's what we do as a company.
18 Portage Health is exactly the type of hospital that we
19 believe we have the best opportunity to help be successful.
20 We specialize in operating community based hospitals like
21 Portage Health. Our approach and our commitment is one that
22 we believe, and it is our intention and passion to be able
23 to help you make your hospital even stronger than it is
24 today. Jim talked about local governance. We believe that
25 healthcare is local, both in the provision of care by

1 physicians to patients -- that's about as one on one as you
2 can possibly get -- to the local governance that will be so
3 important in the way this hospital is operated in the
4 future. And so the 50/50 governance is critically important
5 to us, because we want to be in agreement, complete accord
6 with the important decisions that are made going forward.

7 The community has a vested interest in this hospital.
8 It is represented by you here today in the fact that you
9 took your time to be here today. We look forward to sharing
10 ownership with Portage Health in this joint venture. A
11 couple of things I do want to say about the commitments that
12 we're making. It is important to us that we will offer
13 employment to all of the employees of the hospital, and I'm
14 sure that -- I know that there are some employees of the
15 hospital here today, and you have that commitment.
16 Compensation and benefits will be very similar. They won't
17 be exactly the same, necessarily, but it will be very, very
18 similar and competitive with what you have today. It's
19 important for the community to know that this hospital is a
20 community asset, and people in the community need the
21 hospital. We will maintain the hospital and are committed
22 to maintaining the hospital's commitment to charity care.
23 Physicians will have access to clinical resources and
24 expertise through Lifepoint. And when the transaction is
25 completed, then we will begin working closely with Jim and

1 his team and the Board and the physicians and employees at
2 the hospital to conduct a thorough strategic planning
3 process in order to make sure that we do, indeed, listen
4 before we act, to make sure that we are taking the steps
5 that are needed for the hospital. We look forward to
6 working with all of you in the community. We look forward
7 to being an active part of the community. I look forward to
8 spending time with Jim in the community. I look forward to
9 getting to know folks at Finlandia, folks at Michigan Tech,
10 folks at the other important employers throughout the
11 region. Our focus will be on providing the highest quality
12 clinical care for the community, so that working together we
13 will continue to help make this community healthier. Thank
14 you.

15 MS. BARRON: Thank you, Mr. Bogan and Mr.
16 Carpenter. Moving to number 3 on your agenda now, the
17 overview of the Attorney General's review process and our
18 oversight of charitable trusts. If you didn't get an
19 agenda, they're available at the door along with a
20 frequently asked questions document. Before we get to the
21 public comment and the question portion of the forum, we're
22 going to outline the Attorney General's role in reviewing
23 this transaction. And for that, I'll turn it over to
24 Assistant Attorney General Will Bloomfield.

25 MR. BLOOMFIELD: Thank you. I'm the Charitable

1 Trust Section attorney for Attorney General Bill Schuette.
2 Under Michigan law, the Attorney General protects the
3 interests of indefinite and uncertain beneficiaries of
4 charity; that is the public. Any asset held for a
5 charitable purpose, such as a hospital, is a charitable
6 asset. The Attorney General oversees and protects
7 charitable assets in a number of ways; registering
8 charitable trusts, registering charitable solicitations and
9 reviewing dissolutions, mergers and charitable asset sales.
10 Some basic rules governing charitable assets are that assets
11 held by a charity must be used for charitable purposes.
12 Charitable property may be sold for fair market value, but
13 it may not be diverted for private benefit. Gifts donated
14 with a specific or restricted purpose must be used
15 consistent with that purpose. Trustees, directors, officers
16 and others who exercise control over charitable assets owe
17 their organizations and beneficiaries high standards of
18 loyalty and care. These are fiduciary duties. Charitable
19 trustees break these rules when they ignore donor intent,
20 divert assets for private benefit or sell assets below fair
21 market value. Michigan law authorizes the Attorney General
22 to redress the wrongs of charitable trustees by
23 investigating wrongs and representing charitable interests
24 in court. Recognizing the Attorney General's authority,
25 Portage and Lifepoint have conditioned the sale on receipt

1 of the Attorney General's approval.

2 What is the Attorney General's review process? The
3 Attorney General will only approve the sale following a
4 thorough and independent review, and our team has been
5 reviewing this transaction since about March, when the
6 letter of intent was signed. In sum, the Attorney General's
7 review considers the overall fairness of the transaction for
8 the public. This includes insuring that the bidding process
9 was fair, insuring that Portage Health receives at least
10 fair market value for its charitable assets, insuring that
11 charitable assets, in fact, remain charitable. That
12 charitable care and core hospital services continue and that
13 adequate enforcement exists to hold Lifepoint, the buyer, to
14 its promises.

15 MS. BARRON: Thank you, Will. Now, the Attorney
16 General has assembled a team of attorneys and other
17 professional staff that is reviewing these matters. Members
18 of the team are here today, and most of the members of the
19 team were part of the team that reviewed the sale of the
20 Detroit Medical Center three years ago and last year's sale
21 of Marquette General to Duke Lifepoint. I'd like to just
22 real briefly introduce those members of the team that are
23 here today. I'm a member of the team; my name is Katharyn
24 Barron. I'm the Consumer Protection Division Chief. Will
25 Bloomfield, who you had the pleasure of listening to; Joe

1 Kylman is our Charitable Trust auditor, and also with us
2 today is Joy Yearout, our Director of Communications. The
3 current review team also includes a former R.N., our Chief
4 Deputy, Carol Isaacs, a former physician, and other
5 experienced attorneys in this area. Now, as part of the
6 current review, the Attorney General has already requested
7 and received many underlying transaction documents. Earlier
8 today the review team also interviewed Portage Board
9 members, executives and others related to the transactions
10 to get their views on the proposed sale. The interviews
11 also help us to insure that Portage's Board and executives
12 fulfill their duties of loyalty and care. This public forum
13 is an important part of our review process. It's important
14 for us to know what the public thinks of the sale and to,
15 frankly, properly inform the public regarding the sale.

16 Now, in addition to our internal Attorney General
17 review staff, we also have contracted with valuation expert
18 Cain Brothers to do their own review. Cain Brothers is
19 currently performing an independent valuation of Portage's
20 assets and liabilities that are subject to the sale. Cain
21 is also examining the bidding process to ensure that the
22 market process was fair. Now, Lifepoint, not the taxpayers,
23 is the entity paying for the review. Now, a question you
24 may have is will the results of the Attorney General's
25 review be available to the public? Absolutely. Because our

1 review is conducted on behalf of the public, the Attorney
2 General is committed to transparency, public disclosure and
3 public input. The Attorney General has already posted many
4 underlying documents regarding the proposed sale. That's at
5 www.michigan.gov/Portage. So it's www.michigan.gov/Portage
6 and you'll find many of the underlying documents. And as
7 more documents become available, including the transcript
8 from today's public forum, our expert's report and
9 eventually our final report, they will also be posted to the
10 website. Now, in addition to comments at today's public
11 forum, the public remains welcome to contact us through the
12 end of September, through September 30th by mail. You can
13 do it the old-fashioned way, putting a stamp on it, or you
14 can e-mail us at agportage@michigan.gov. That's
15 agportage@michigan.gov.

16 Lastly, I want to emphasize that the Attorney General's
17 office is conducting an independent review. We're going to
18 objectively consider all of the findings of review,
19 including input from you here tonight and through the course
20 of communicating with us through our e-mail address. And
21 we're going to reach appropriate conclusions based on those
22 findings.

23 Now, as the moderator, I want to just briefly explain
24 the process this evening that we're going to follow for the
25 comments. Now, they're going to be made in the order

1 consistent with the number that you received on the red
2 little card here (indicating). So if you wanted to make a
3 comment, you filled out a comment or question card, you
4 handed it in and you got one of these. It's not too late if
5 you decide through the course of this you still want to make
6 a comment or ask a question. To keep the forum moving,
7 let's, you know, have one person making the comments or the
8 questions and have the next person ready to -- ready to step
9 up. Each individual is going to have three minutes that
10 we're going to track by the digital timer located in the
11 front of the room. And, again, as I mentioned, a transcript
12 of the forum is going to be posted on the Attorney General's
13 website. Now, to help those who are going to be reading the
14 transcript and not actually here, before you make your
15 comment, please very clearly state your name. If you are
16 affiliated with Portage or Lifepoint, please also briefly
17 state the nature of the affiliation. All right. Having
18 said that, let's have person number one please step forward.

19

20 My name is Steve Zutter. I've been a Copper Country
21 resident for the last 29 years. Roughly 29 years, about a
22 month or two shy. I've been a Board member at Portage for
23 the past seven years and I've been Board chair the past
24 three years. Our Board unanimously and fully supports a
25 joint venture with Lifepoint. Having a strong partner

1 assures our hospital to grow and thrive over the long term.
2 Independent community hospitals and Portage Health, you
3 know, specifically face severe challenges with regard to
4 healthcare reform, and we talked about them earlier.
5 Physician recruiting, lower reimbursements, limits on access
6 to capital, ACO's to name a few. The Board and management
7 undertook a proactive, thorough, careful and deliberative
8 process to decide how Portage could best position itself to
9 confront any of these challenges. As a Board, we considered
10 a broad range of options. We were staying independent,
11 looking at a joint venture with a for profit or non-profit,
12 even an outright sale, but the Board's advisor contacted, as
13 we mentioned earlier, over 30 potential partners, both for
14 profit and non-profit, and they conducted a very
15 professional and objective marketing process. Lifepoint has
16 made significant investments of resources in the U.P., and
17 they have a proven track record in serving rural
18 communities. The unique joint venture structure assures
19 that our community, you know, will have equal governance
20 over the direction of our hospital for now and well into the
21 future. We chose Lifepoint Hospitals not just for these
22 benefits, but also because we believe it was the best fit
23 for our hospital, physicians, medical staff and community.
24 Lifepoint Hospitals surpassed our -- I guess our selection
25 criteria, which included commitments to grow and expand the

1 services the hospital provides, enhance the quality of care
2 provided, invest in our hospital, its infrastructure and
3 services, uphold our commitment to charity care and
4 contribute to our community through a substantial
5 contribution to the Portage Health Foundation, which will
6 benefit the community for literally generations to come.
7 Thank you.

8
9 Good evening. I am Dennis Harbour, Superintendent of
10 the Copper Country Intermediate School District. I have
11 been a resident here for a long time, too, many years, and
12 worked for area schools for nearly 40 years. So we've had a
13 wonderful relationship with Portage Health. We represent 13
14 school districts in a three county area, including Baraga,
15 Keweenaw and Houghton Counties, some 7,000 students, 750
16 employees and -- including teachers, support personnel,
17 ancillary staff. Collectively we know one thing:
18 Healthcare and quality healthcare and professionals in this
19 area is something that's extremely important to the
20 community at large and, of course, the education community
21 that I represent. Portage Health, its administration and
22 its Board, we believe, is very well-respected in this
23 community. I don't think anyone will stand here and tell
24 you that we fully understand the details of this
25 transaction, but I can tell you this, that the individuals

1 from this community that we know very well are well-
2 respected, and we believe have made the right decision to
3 partner with Lifepoint. The Copper Country Intermediate
4 School District has long been a partner with Portage Health
5 in the way of working together to provide services to the
6 education community, meaning our students. They have a
7 presence at the majority of our athletic events. We partner
8 with Portage Health to retain occupational therapists,
9 speech therapists, physical therapists and, most recently,
10 hearing impaired consultant services. So we have had, as I
11 mentioned, a wonderful relationship with them, and they have
12 clearly helped area schools to provide service professionals
13 that we are unable to secure because of our geographics and
14 because of the small area. They have been able to help us.
15 We, in the school community, appreciate the fact that
16 Portage Health took the initiative to prepare for the future
17 and proactively found a strong partner in Lifepoint. We
18 believe a strong hospital with a larger professional staff
19 will help attract business and residents in our community,
20 which will strengthen, obviously, our economic base. We
21 also believe that a strong and vibrant hospital will go a
22 long way to secure and retain quality health professionals,
23 which obviously our students, our faculty and community at
24 large clearly needs. I applaud Portage Health, Jim Bogan
25 and the Board members he serves with, as well as Lifepoint,

1 for engaging in something that as a long-time community
2 resident I believe is extremely important, and I know I
3 speak, as I said, for the many schools and employees that we
4 represent. Thank you for your time and thanks for being
5 here.

6
7 Good afternoon. Glenn Simila, GS Engineering. I
8 worked at Michigan Tech for 19 years and spun off and
9 started my own business 11 years ago. We've grown from
10 three people up to 60 employees right now. And we need
11 healthcare for our employees, both as young -- young
12 professionals, they are growing their families, and also for
13 older folks like myself. Three things about Portage, on one
14 of our daughter's birth, there was an abnormality. Portage
15 found it beforehand, before the birth. Upon giving birth,
16 the baby was transferred to Minneapolis the next day for
17 surgery. The execution of that was excellent, and when we
18 arrived at the other hospital, everything was waiting. I
19 see the Lifepoint transition as allowing more opportunities
20 for specialties and for clearcut transfers on where to go
21 when things happen. The second thing, we had a -- one of my
22 sons in college was in an auto accident, a severe auto
23 accident. They treated him at Portage, stabilized him and
24 shipped him to Marquette. He was there for three weeks,
25 came out of the coma after nine days, but recovered. And

1 that is the type of cooperation that I like to see as a user
2 of healthcare. The third thing is our local high schools,
3 they have a health career center, and my other daughter,
4 Molly, took that as a junior last year, so every Monday and
5 Wednesday she went to Portage into the surgery room,
6 scrubbed up, gowned up, went in and observed over 50
7 surgeries over the past year. And the commitment for that
8 for a youngster in high school to be involved in health
9 careers like that, she can't go wait to go to school to be
10 involved in surgeries in her future. So I see this merger
11 here as continuing what Portage has done, which is expanding
12 the network. So my only question for Bill is what type --
13 is what is Lifepoint's philosophy for providing scholarships
14 for local individuals interested in healthcare so that they
15 can further their education and then return back here to
16 help serve here, Marquette, but in the local area in the
17 medical profession.

18 MS. BARRON: And let's do this, let's hold that
19 question and you'll have a chance for making some wrap-up
20 comments to answer that and any others that come up.

21 MR. CARPENTER: Thank you. I've made a note, and
22 I will do so. Thank you.

23 MS. BARRON: Thank you, Mr. Simila. Appreciate
24 it.

25

1 I'm Glenn Anderson, Hancock City Manager. And I'm here
2 today to speak in favor of this historic, exciting and
3 unique joint venture being proposed by Portage Health and
4 Lifepoint Hospitals. The City of Hancock has been the proud
5 home to Portage Health or its predecessors for over 117
6 years, so we take healthcare seriously, not only on behalf
7 of our citizens, but on behalf of the 800 plus or minus jobs
8 that are at Portage Health today. An example of Hancock's
9 commitment to Portage Health was the City's decision to
10 invest nearly 3 million dollars for roads and infrastructure
11 to relocate the hospital to its current location on Campus
12 Drive in the late 1990s. We recognize the fast-paced change
13 in healthcare that continues across America, fueling
14 mergers, partnerships, strategic alliances, takeovers and
15 joint ventures. We believe this new joint venture will be
16 good for the healthcare consumer, offering quality choices
17 for our community and area, now and into the future. The
18 new joint venture will continue to support growing the
19 Keweenaw Peninsula as a Western Upper Peninsula regional
20 healthcare destination, further returning the migration
21 healthcare dollars and services back to our area. The joint
22 venture will pay a significant dividend to the community in
23 the form of the unprecedented foundation capitalization,
24 give or take a little bit. The commitment to spend 60
25 million dollars in capital over ten years and paying real

1 and personal property taxes to the City, the County, the
2 Hancock schools, the Intermediate School District, the
3 Medical Care Facility, our fire department, the county
4 veterans and, of course, the big winner would be the State
5 education zone and also our Smart Zone will also benefit
6 from the tax capture. The new Portage Health governance
7 structure is a new model, keeping the community with a 50/50
8 governance structure, even though it's an 80/20 venture.
9 Portage Health will continue to accept Medicare and Medicaid
10 patients and agrees to continue their emergency room
11 treatment without regard to ability to pay. Portage Health
12 will grow new medical specialty areas, including cardiology
13 and psychiatry. With the investment in the Foundation, new
14 capital investment, the transaction will provide an economic
15 stimulus for years to come to the community. The ten year
16 lock-up provision provides continuity of ownership to the
17 community and assures the new joint venture delivers on its
18 commitments. And, for these reasons and many others, I
19 support the historic joint venture and believe it is in the
20 best interest of the community, the consumer and the local
21 economy. How am I doing for time? I'm done.

22 MS. BARRON: Thank you, Mr. Anderson. We're at
23 number five now.

24
25

1 My name is Marilyn Clark, and I've been asked to make
2 some comments on the entrepreneurial community. My role is
3 the CEO of the MTech Smart Zone. You're actually sitting on
4 our floor here. And my job is to create jobs in the
5 community. Michigan is one -- the only state in the last
6 ten years that lost population. In the State of Michigan,
7 Houghton County is one of only three counties that gained
8 population. Now, not by very much. We have 38,000 people,
9 but we did gain population. We don't have significant
10 employers here. The significant employer is Michigan Tech
11 and the hospital system, but what we do in my organization
12 is work with entrepreneurs and people who want to start
13 companies. We call it economic gardening. It's part of the
14 State of Michigan's process. So I'm a math major, and so
15 I'm working with some data. We have about 15 entrepreneurs
16 in the area, all stage 2 companies, which means that they
17 have been in business for awhile and they employ 10 or more
18 employees, less than 500 employees. And there are some
19 questions that were asked, and that is how concerned are you
20 about healthcare in the future? And I know this doesn't
21 directly apply to the hospital, but I am getting there. And
22 the concern was about six. All right? It ranged from three
23 in terms of variance to nine. Very -- very concerned. And
24 part of that is because a lot of people are waiting, they've
25 already done their benefits, et cetera, and they're going to

1 wait until next year to be really concerned. Then they
2 asked how much do you know about the changes in healthcare
3 coming and, again, quite a bit of variance. But if you --
4 they also asked what is happening to your healthcare costs,
5 and it ranged from we're paying 2 percent less on our
6 insurance this year to 66 percent more for a small company.
7 Okay? So this is -- this is really important for
8 entrepreneurs. Entrepreneurs here, it's hard to make a
9 living in the Copper Country. And most of our companies,
10 our geography works against us. So it's -- this is a very
11 important issue for the people who are providing healthcare
12 for the people who work for them. But cost was not the
13 biggest concern that was raised by these 15 people. What
14 was the biggest concern was the uncertainty. Okay? Now,
15 that happens in the stock market, too. Business people
16 don't like uncertainty. So it was the uncertainty of the
17 change, how close they were to 50 employees and what would
18 happen there. Employee retention and morale and then
19 productivity. So my point is that healthcare in this
20 community has a big impact on the economic driver here.
21 Houghton County has been successful in gaining traction,
22 whereas many in the State of Michigan haven't. Healthcare
23 is a big driver. We had a person in this -- I know I'm
24 running late. We had a person in this room today from FedEx
25 who was giving a lunch and learn. FedEx's bill increase for

1 healthcare for their company is going to be a billion
2 dollars. A billion dollars; they self fund. They are a 43
3 billion dollar company. That's 2 percent. So, from my
4 perspective, I think that from a business perspective the
5 healthcare system has a big job to come in the future, and,
6 hopefully, you will help with the challenge in that
7 perspective in terms of helping us with the uncertainty of
8 what's happening and also by continuing to provide patient
9 led care in a way that helps this community grow. So thank
10 you. Number six?

11

12 Barbara Rose. Good evening, and thank you for
13 entertaining the opinion of the Keweenaw Community
14 Foundation. We're anxious to address you and very anxious
15 to tell you our thoughts about the Lifepoint Portage Health
16 joint venture. In today's world there's only one
17 permanence, we feel, and that's change. The difference
18 between good change and bad change is that good change is
19 planned and addresses the future transitions with people who
20 are involved in getting from Point A to Point B, whereas
21 ineffective change that is dictated with no input causes
22 often resistance and sometimes even chaos. But in
23 addressing the future healthcare needs of the people in this
24 area, Portage Health has found that the needs will grow,
25 and, therefore, so must the types of healthcare services

1 necessary to meet those exact changes. In their planning
2 for that future, they found that the joint venture with
3 Lifepoint Hospitals will be a change that will be in the
4 interest of this entire area. And we agree that change is
5 continued excellence, on which Portage prides itself, while
6 expanding to include needed services, new experts and to
7 reach out to the future before it just happens to us. I
8 believe there will be teams across the system, the
9 healthcare system, that -- as well as the administrative
10 area to do this. Now, the mission of Lifepoint -- I did a
11 little research -- is to build healthier communities. Is
12 that right? The mission of Portage Health is to improve the
13 health of communities they serve. I think that's right.
14 And the mission of the Keweenaw Community Foundation is to
15 enhance life in the Keweenaw in the following areas, of
16 health, human services, education, youth, environment and
17 economic development. Portage Health holds two funds with
18 us, of our 60 plus endowments, and Jim Bogan was chair of
19 the Keweenaw Community Foundation for over ten years.
20 Together, all of these three entities create a culture of
21 health, I think. A culture that can involve both arts and
22 culture and environmental well-being, all of which are a
23 part of health. It is very true and very wonderful that
24 this venture will bring more tax dollars to the community,
25 to our cities, educational systems, extended health

1 technology and service, but I think it does much more. The
2 plan chain effort brings the people along with it, creating
3 a governing body that will include representatives of the
4 community who have their fingers on the pulse of the day to
5 day health issues of the area and can share in planning that
6 makes important decisions. Such decisions may help my
7 elderly friend, Bea, who live down the road being assisted
8 with the increased care and services that Lifepoint will
9 add. Instead of having to drive her husband several days a
10 month out of the state for his specific cancer care, through
11 both summer and winter -- and I don't know if you know
12 winter, but there's bad winter. He will be able to receive
13 it right here at Portage Health or at Duke Point -- Duke
14 Lifepoint in Marquette or both, and Bea is very happy about
15 that. Our childhood obesity in the area is in epic
16 proportions, and 25 percent of our children live in poverty.
17 Keweenaw Foundation's Youth Advisory Council found that the
18 students of the Keweenaw list their major concerns as
19 alcohol abuse, drug abuse and child abuse. These are all
20 serious issues that need to be addressed within our
21 community. There is needed human energy, dollars, expertise
22 and programs that can aid in this. By building an alliance
23 with the Community Foundation and their future programming
24 and other organizations and non-profits in the area, I
25 believe that Lifepoint Portage Health can assist in being

1 the catalyst for this kind of healthcare change. Your track
2 record is great; I looked into it. You've provided flood
3 relief in Tennessee. I don't think we'll have a flood, but
4 you never know. It could be a snow flood. And the funding
5 was administered by their Community Foundation. They also
6 have shown huge support for education. If you want facts,
7 by granting scholarships through the Wythe-Bland Foundation,
8 I believe, in Tennessee -- no, not in Tennessee. Virginia.
9 It didn't list that. To provide full tuition and fees to
10 any member of the Wythe-Bland County High School graduating
11 class who attends their college, community college. Thank
12 you, Portage, for this diligence in bringing this wonderful
13 joint venture to the community in a planned change effort
14 for the purpose of growth and sustainability here of
15 excellent healthcare in our area. We thank you and support
16 you.

17 MS. BARRON: Thank you, Ms. Rose. We're on 7 now.

18
19 My name is Philip Johnson. I am the president at
20 Finlandia University in Hancock. Finlandia University is a
21 smaller learning community that desires deeply to offer
22 relationship-driven, holistic, transformative higher
23 education, and we want to deliver that to our families and
24 students here in the Upper Peninsula and beyond. Finlandia
25 University supports this joint venture. Though many reasons

1 may be given for this support, what brings me here today are
2 two core convictions, and perhaps they might sound a little
3 self-serving. One, we believe that the joint venture will
4 preserve the long-standing and deeply rooted relationship
5 between Finlandia and Portage Health. Historic
6 relationships, it seems to me, are being taken seriously in
7 this agreement, and that matters to me. Two, by aligning
8 with Lifepoint's larger network of hospitals, we are
9 persuaded that this venture will support and strengthen
10 Finlandia's current offerings in health sciences and provide
11 additional opportunities for students studying in this
12 field. Opportunity, new opportunities at various levels, it
13 seems to me, marks this agreement and Finlandia supports
14 that. Beyond these core convictions, it needs to be said
15 that preserving quality of life matters for all of us who
16 have chosen to make our lives here in the western counties
17 of the Upper Peninsula. By ensuring sustained and greater
18 access to needed medical care closer to home, this
19 partnership serves well our rural communities. Finally,
20 this venture contains clear and consistent commitments to
21 community representation, governance and investment. I
22 believe that we tend to -- best to business by tending
23 carefully to our relationships, and I sense that in this
24 venture we're tending carefully to relationships. Thank
25 you, Bill, thank you, Jim, for the good and hard work done

1 to bring us to this place today. Thank you.

2 MS. BARRON: Thank you, Mr. Johnson. We're now at
3 number 8.

4
5 Good afternoon or good evening. On behalf of the City
6 of Hancock, you know, I'd like to welcome back our visitors
7 from Tennessee. We had a chance to meet Bill Carpenter and
8 some of his staff last January, and he got to see the very
9 worst of our weather, because anybody who lived in the U.P.
10 last winter knows that this past January was about as bad as
11 it ever had been. Today the sun is shining down upon us and
12 everything looks good. This is more like it. But, of
13 course, a lot of places -- as Jim Bogan has sometimes said
14 "A lot of places have good summers." I think we're just
15 about done with summer, though. I'm Bill Laitila; I'm the
16 mayor of the City of Hancock. And, has been mentioned,
17 Portage Health System has been a major part of the City of
18 Hancock for 117 years. Pretty remarkable. It's been a
19 great institution. The level of care is exceptional and I
20 believe that the merger or the acquisition by Lifepoint will
21 make it even better. A very common theme in healthcare
22 locally here has been that people sometimes do go out of the
23 area for healthcare. It's pretty commonly done and has been
24 for some time. And I feel that with this new transaction,
25 some of that medical care that was perhaps even gone out of

1 state can happen here and keep the dollars local. I feel
2 very confident in the job that Jim Bogan has done and the
3 Board has done. They have been very diligent, very careful.
4 And I'm going to thank the Attorney General's office for
5 their involvement here as well. It's really good to have
6 multiple screenings of this venture. The trend obviously in
7 healthcare is for this type of merger to occur. It's a
8 fact; it's happening. When I was a high school teacher, I
9 remember one of my students had a humorous t-shirt that said
10 "Stop plate tectonics." And in a way, I guess, what we're
11 seeing nationally over the last decade and a half, at least,
12 is that there is this trend. It's inexorable, it's
13 happening, and I think we're very fortunate that Portage
14 Health was able to find a match with Lifepoint. It also was
15 mentioned before that Houghton County had some modest growth
16 in the last census, and to be a little more precise, there
17 were three cities that had modest growth in the Upper
18 Peninsula. Houghton, where you are now, Hancock -- my
19 city -- and Marquette were three cities that had growth in
20 the Upper Peninsula. A pretty select group. It looks like
21 Lifepoint has done a good job of finding these communities.
22 The capital investment that is promised, of course, was a
23 major thing for the local community. It's not just Hancock,
24 but the whole area. And, of course, the Foundation funding
25 is the other big -- big thing for the community. And I

1 would be remiss if I didn't admit that the potential tax
2 revenue from this venture will play a major part in
3 alleviating some of our budget pressures. We've been able
4 to keep our head above water, but it hasn't been easy for
5 the last number of years. So thank you for being here. I
6 thank everyone that's been involved in this venture, from
7 the state level, to local level, from Tennessee and wherever
8 else. The only question someone had in the City Council in
9 their last meeting was about the appraisal, the company
10 doing the appraisal of the value of the company. And I
11 think the Attorney General's representative handled that
12 very well when Glenn and I talked to him earlier today. I
13 have confidence that the company doing this is a very good
14 company, and has done this multiple times. And,
15 unfortunately, there wasn't a company in Michigan, I guess,
16 that was able to do this. So welcome to Hancock. We
17 appreciate everything that Portage Health has done in the
18 past and we look forward to working with Portage Health in
19 the future. Thank you.

20 MS. BARRON: Thank you, Mr. Laitila. We're on
21 number 9 now.

22
23 I, myself, am a born and bred Yooper. That's what
24 we're called when we've -- we were born at Portage Hospital
25 and we've grown up. I'm also Lennon Mattila Hughes. I've

1 been on the Portage Health Foundation Board since 1997, and
2 was appointed the Foundation chair in 2008. Previously the
3 Foundation worked solely to support the hospital. Now the
4 Foundation will have a broader purpose and the direct
5 ability to improve our community as a whole. The Foundation
6 Board and myself are very excited about this transaction and
7 what a difference it will mean to our community. Just
8 imagine, with tens of millions of dollars in assets, the
9 Foundation will have an extraordinary ability to make a
10 tangible difference through direct outreach programs,
11 through educational programs and through financial support
12 to other community service groups. The possibilities are
13 endless, but the results will be tremendous. Parties to the
14 transaction have agreed the Foundation may retain and use
15 our current name, so into perpetuity people will remember
16 how and why this good fortune was given to our community.
17 We believe a strong and vital hospital is an asset to our
18 community, we believe the proposed transaction will benefit
19 and strengthen Portage Health and strengthen our community.
20 The Portage Health Foundation Board of Directors has been
21 working hard developing plans for investment and governance.
22 We also have the ability to benefit from the 20 percent
23 hospital ownership in the joint venture, which includes the
24 right to receive future distributions from the joint venture
25 and the right to appoint delegates to the governing board of

1 the joint venture. By appointing delegates to the joint
2 venture governing board, the Foundation will assure that the
3 hospital will continue to serve the healthcare needs of the
4 community. Please know the Foundation is working closely
5 with the Attorney General to assure that the transaction
6 terms and purposes will be fully achieved. Please know that
7 the Portage Health Foundation will accept whatever
8 responsibility its Board and the Attorney General decide are
9 appropriate to monitor Lifepoint's compliance with its
10 commitment under the transaction documents, and to report to
11 the Attorney General on the Foundation's activities. With
12 all of that being said, please note the Portage Health
13 Foundation fully supports the proposed transaction and
14 congratulates Jim Bogan, the hospital Board of Directors and
15 Lifepoint on such a well thought-out venture that will
16 enhance and benefit our community for years to come. Thank
17 you.

18 MS. BARRON: Thank you. We're skipping number 10
19 now. That individual no longer wants to make a comment.
20 And we're at number 11, please.

21
22 Thank you. Donald Simila. First let me apologize for
23 not having a prepared statement. I want to, at least for a
24 moment, speak extemporaneously about the relationship -- the
25 working relationship I have with Lifepoint, Duke Lifepoint

1 and Portage Health. I'm a lifelong resident of the Copper
2 Country, and I'm a 25 year plus veteran of healthcare
3 administration. I've been an employee of Marquette General
4 for over 25 years. I'm currently an employee of Duke
5 Lifepoint in Marquette, coming up on our anniversary here in
6 one year. In addition to that, I'm the president of Western
7 U.P. Health Access Coalition. That's a volunteer
8 organization that coordinates volunteer medical services for
9 people in our community and collaborates with area
10 healthcare providers. I'm also the CEO of Upper Great Lakes
11 Family Health Center, which is a federally qualified health
12 center with locations in Marquette, Michigan. We just
13 recently wrote for and submitted and were approved for a new
14 access point here in Houghton County. And one of our other
15 testimonies indicated that 25 percent of the children in
16 Houghton County are living in poverty. And, in fact, 35
17 percent or more of the people that reside in Houghton County
18 live at or below 200 percent of federal poverty level. So I
19 just want to speak very succinctly in my working
20 relationship with Portage Health over these many years that
21 I've worked with Mr. Bogan and his administrative team, I've
22 found them to be extremely committed to the residents of the
23 community. We've had common goals and common interests in
24 making sure that all people were served here in the
25 community, regardless of their ability to pay. And in my

1 relationship as the CEO of Upper Great Lakes Family Health
2 Center in Marquette, I've found the Lifepoint family and Mr.
3 Carpenter's administrative team to be extremely supportive
4 of the health center and the projects that we're working on
5 collaboratively there, and I look forward to continuing that
6 relationship as the CEO of Upper Great Lakes Family Health
7 Center and the new access point that we'll have here in
8 Houghton County and the partnership and support that we have
9 become accustomed to working with them to date. Thank you.

10 MS. BARRON: Thank you. Any other members of the
11 public? We want to make sure that anybody who wants to make
12 a comment or ask a question has the opportunity. Okay.
13 Seeing nobody raise their hand or approach the podium, I'll
14 turn it back over now to Mr. Carpenter and Mr. Bogan if you
15 have any final comments or responses to the questions.

16 MR. BOGAN: A final comment I just want to make is
17 I want to thank the AG, the Attorney General's office and
18 all his staff for coming up here today, and, even more
19 important, the community at large again, very much showing
20 your level of support for your hospital. And I'm happy to
21 see the passion that many people have towards the future of
22 the hospital. Thank you.

23 MR. CARPENTER: Well, I will join with Jim in
24 thanking General Schuette, General Barron, thank you others
25 from the Attorney General's staff for being here, and also

1 to echo our thanks on behalf of Lifepoint to all of the
2 members of the community who have taken time today to be
3 here to speak out. But, more than that, members of the
4 community and the medical community that have welcomed us
5 here and who have a vision for the future which does reflect
6 ours of making this community healthier. And working
7 together, I have every confidence that we will be able to do
8 that. We'll be happy to respond to questions if there are
9 some.

10 MS. BARRON: There was one question during the
11 period, I don't know who wants to respond to that. I
12 believe it was Lifepoint's --

13 MR. CARPENTER: Yeah, absolutely. The question
14 was specifically about scholarships and about Lifepoint's
15 involvement with that. I really did appreciate Ms. Rose for
16 doing the research. I do research as well on our hospitals
17 when we go, and I find a great overlap here in the mission
18 and the vision that we have. And when you overlay the
19 Foundation commitment, it really is a great synergy that is
20 created. And part of that synergy can be created in the
21 work that your Foundations will be able to do in the future.
22 Lifepoint won't be involved in that, of course. That will
23 be completely administered outside of Lifepoint. But we
24 will make sure that the healthcare needs in the community
25 are taken care of as a partnership with Portage Health. The

1 Foundation will able to support, with the Attorney General's
2 blessing, charitable purposes throughout the community. And
3 perhaps one of those ways may be through scholarships. It's
4 a possibility. Certainly the community that you referred
5 to, Wythe-Bland Foundation in Wythe and Bland counties in
6 Virginia, is one of those great success stories that we have
7 seen. Their Foundation made a determination, completely
8 outside of Lifepoint, to use the proceeds, part of the
9 proceeds from the sale of the hospital there that founded
10 their Foundation to do some remarkable things among them to
11 make scholarships available to any graduate in Wythe or
12 Bland County who wished to attend the local community
13 college. And what a remarkable economic development tool
14 that has become in that community for employers who are
15 seeking to make sure that two things are covered. And many
16 of you hit on this in your prepared -- in your comments, and
17 that is that employers are looking for answers to the
18 provision of quality care, healthcare in the community for
19 their employees and education. And this community seems to
20 be addressing both of those significant issues in a great
21 way. And that's why you're growing here, because, given a
22 choice, employers are going to come to a place that can
23 answer those two questions or my -- is education provided
24 for and is healthcare provided for. So Lifepoint has a
25 Community Foundation. We also have a Foundation that was

1 mentioned and we have used that Foundation. Our Foundation,
2 Lifepoint Community Foundation, has been in existence since
3 the company was formed. It has never given a cent in
4 Nashville, Tennessee. We have given our proceeds that -- we
5 have used our Foundation in the communities where our
6 hospitals are located. And the reason for that is there are
7 a lot of big corporations in Nashville, Tennessee, and our
8 hospitals, nine times out of ten, are one of the three
9 largest employers in the community where they're located.
10 And so we felt that it was more important for us to use the
11 proceeds of our Foundation to benefit the community. Some
12 of those have been used for nursing scholarships, some have
13 been used for other scholarships in the community. But I
14 think working together, Foundation and Lifepoint in the
15 future could be -- some remarkable things could be done
16 here. Time will tell and we'll see how best to use those
17 funds.

18 MS. BARRON: Thank you, Gentlemen. On behalf of
19 Attorney General Bill Schuette and the entire review team,
20 thank you for taking the time to join us today. Indeed,
21 preserving and protecting the integrity of charitable assets
22 is one of the most important responsibilities of the
23 Attorney General's office, and it's one that we take very
24 seriously. Thank you and have a good evening.

25 (Forum concluded at 6:11 p.m.)

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