

*From the desk of Jim Ramsey*

## **Hospital Merger Update**

January 9, 2012

Dear friends,

We are extremely disappointed that Governor Beshear has again refused to approve a hospital merger that would stabilize the financial condition of University Hospital, expand the teaching and research opportunities in our Medical School and, most importantly, provide better health care opportunities for the people of Kentucky.

In a meeting last week with the governor, hospital and university leaders presented two alternatives to the original merger plan and had, what we believed to be, a positive conversation with the Governor and other state officials. Those alternatives were:

1. A revised merger structure to allow the University of Louisville to maintain its existing level of control over University Hospital.
2. A listing of annual and one-time funding required to keep University of Louisville Hospital up-to-date and compliant with federal standards. This funding includes:
  - \$50 million annually to meet viable financial status, cover incremental operating cost of federally mandated IT upgrades, cover lost revenue from Passport changes, and cover debt service increases not offset by new revenues
  - \$350-\$500 million in state bonded capital for facilities expansion, IT capital investment, and catch-up

As part of the merger, University Medical Center stood to benefit enormously by becoming part of a robust statewide health care system that would have provided expanded access to clinical volumes for teaching and clinical trials, and the UofL Health Sciences Center would have received an infusion of \$200 million to invest in new programs, technologies, clinical and translational research, and new jobs through faculty and staff recruitment.

As a small, stand-alone, inner-city hospital with a payor mix that includes 20-25 percent indigent care, University Hospital is unable to generate adequate capital from operations and is not a favorable lending risk. As an independent

consultant hired by the Jefferson County Attorney wrote about the downside of University Hospital remaining independent and not merging: “If this were to occur to the University of Louisville Hospital, the financial consequences would be dire. Local taxpayers would be asked to make up for the losses incurred as good-paying patients migrate to other hospitals in established systems. There is no guarantee that the hospital will go down this path, but the possibility is too real to ignore. The formation of CHI-Kentucky takes the University of Louisville Hospital down a different path and likely prevents this financial catastrophe.”

Without state funding and state backing for borrowing, reduction in clinical services and support for the UofL School of Medicine will occur in the coming months. The hospital’s governing body will necessarily be considering the required reductions soon, working to minimize their effect on our most vulnerable patients.

We began our in depth merger conversations with the governor 18 months ago. He has never expressed any concerns to us about the governance structure of the proposed merged entity.

So, we look forward to hearing a proposal from the Governor’s office that will make good on his promise to help University of Louisville Hospital | James Graham Brown Cancer Center remain, in his words, on “strong financial footing.”

Follow me on [Facebook](#).



---

[LOUISVILLEFOUNDATION.ORG](http://LOUISVILLEFOUNDATION.ORG)

THE UNIVERSITY OF LOUISVILLE - OCM | 2323 S. BROOK ST. #124, LOUISVILLE, KY 40208 | [502.852.6171](tel:502.852.6171)

University of Louisville  
Louisville, KY 40292