

University of Virginia Health System/Augusta Health Report
to the Chairmen of House Appropriations and Senate Finance Committees

Pursuant to Item 199 of the *2012-2014 Acts of Appropriations*
Submitted on October 30, 2012

I. UVA Health System's Presence in the Augusta County Area Pre-1994 through the Present

The mission of the University of Virginia Health System (UVA) is to provide excellence, innovation and superlative quality in the care of patients, the training of health professionals, and the creation and sharing of health knowledge. As a pre-eminent academic medical center, advancing health care is at the heart of what we stand for: training the best clinicians, advancing the science of medicine, and caring compassionately for those we serve. We retain a leading clinical role in the local, regional, and statewide markets serving patients from nearly every city and county in the Commonwealth.

UVA has been serving patients in Fishersville, Augusta County and the surrounding area (collectively the "Augusta Region") for decades, and although UVA did not have a physical presence in the Augusta Region prior to 1994, there is no doubt that residents of the Augusta Region received inpatient hospital treatment at UVA Medical Center prior to 1994. The Augusta Region is part of UVA's primary service area and has been for years. UVA's primary service area is defined as the geographic area from which UVA draws 50% of its inpatient volume, and this encompasses the Augusta Region.

Augusta Health, originally Augusta Medical Center, began operations in Fishersville, Virginia in May 1994. Previously the Augusta Region had been served by two hospitals, Waynesboro Community Hospital and Kings Daughters Hospital in Staunton. In March 1993 at the request of Tom Gorsuch, MD of Augusta Health, UVA and Augusta Health entered into a contract for cardiac catheterization services to be performed by UVA physicians to commence on May 1, 1994, Augusta Health's opening day. This agreement was expanded in 2008 to include certain therapeutic services, and continued through 2009.

Over the years the parties entered into several other agreements for the provision of a variety of services as outlined below in chronological order:

- Continuing Medical Education (CME) – In 1994, Augusta Health affiliated with UVA CME affiliates program for the provision of continuing medical education to Augusta Health physicians.
- Patient Transfer and Facility Agreements – Since 1994, UVA and Augusta Health have executed various agreements to provide for the transfer of patients to UVA for specialty services, major trauma requiring the use of Pegasus, the neo-natal intensive care unit, and other assistance in the case of unexpected interruptions in the delivery of care. These arrangements are required by CMS and for accreditation of Augusta Health.
- Graduate Medical Education (GME) – UVA has had various medical residency agreements with Augusta Health in emergency medicine, nephrology, urology, head & neck surgery, and general surgery, the earliest of which date to 1997. This is an important affiliation for UVA because of its mission to train residents. The accrediting body for GME is the Accreditation Council for Graduate Medical Education (ACGME),

and their standards require that resident training programs maintain sufficient patient volume in a variety of settings and treat patients with a variety of medical conditions. Augusta Health provides additional patient volume and a different patient mix than UVA which is important to assist UVA in maintaining accredited training programs.

- Radiation Oncology (VaLiance) – An Operating Agreement among VaLiance Health, Rockingham Memorial Hospital, Augusta Health, and UVA was signed in 1997. It set out the terms of a partnership to last until 2050 and the purpose of VaLiance. In 2003 an agreement was signed for VaLiance to provide radiation therapy services on site at Augusta Health. In 2004 agreements were signed between VaLiance and UVA to provide radiation physicist and physicians at the radiation therapy center at Augusta Health.
- Gynecology/Oncology – In 1998, Augusta Health and UVA entered into an agreement for UVA to provide consultative gynecological oncology services by its physicians at Augusta Health.
- Pediatrics – Also in 1998, UVA entered into a lease of space with Augusta Health to operate a pediatric clinic at Augusta Health.
- Dialysis – Augusta Health sold its dialysis business to UVA in 2000. UVA provides dialysis services in space leased by UVA in the Augusta Health hospital.
- Infectious Disease – In 2003, the parties entered into an agreement for UVA to provide infectious disease consultative services at Augusta Health.
- Plastic Surgery – Since 2005, Augusta Health has provided space for UVA physicians to perform certain cosmetic procedures at the Augusta Health Laser Cosmetic Center at least one day a week.
- Pathology – In 2007, UVA contracted to purchase pathology services for its Regional Primary Care clinics from Augusta Health. A second contract set out terms for Augusta Health to purchase from UVA certain pathology services that Augusta Health did not offer.
- Pulmonology & Critical Care – In 2008, as part of the larger “Agreement for Medical Director and Clinical Services”, UVA provided a medical director and physicians for pulmonology and ICU/critical care services.
- Telemedicine – In 2009, the parties entered into an agreement for UVA to provide certain telemedicine services to patients at Augusta Health.

Beginning in 2008 the relationship between UVA and Augusta Health became strained, and on March 16, 2009 Augusta Health terminated all cardiology service lines. Because infectious disease consultation services and pulmonology and ICU/critical care services were bundled together in the parties’ “Agreement for Medical Director and Clinical Services”, these services were also terminated. In addition, the discontinuance of these services ended GME programs in the areas of cardiology and pulmonology at Augusta Health.

In November 2009, UVA terminated the contract for the purchase of Pathology services from Augusta Health effective December 31, 2009, and in December 2009, Augusta Health terminated the contract for the purchase of Pathology services from UVA effective January 3, 2010. Also in 2010, Augusta Health did not seek renewal of the Telemedicine contract and it expired in 2010.

On March 31, 2010 Augusta Health gave notice of non-renewal of the agreements with VaLiance effective September 30, 2010. Augusta Health and VaLiance have been in mediation with respect to termination of the agreements. However, the services provided by the UVA

radiation oncologists also were terminated by Augusta Health, and as a consequence, the Graduate Medical Education (GME) programs in Radiation Oncology have ended at Augusta Health.

Augusta Health terminated the lease of space to UVA for pediatric services effective December 31, 2010. The parties negotiated a 90-day extension of the lease and it terminated on March 31, 2011.

In February 2012, Augusta Health decided to affiliate with the American Academy of Family Physicians to provide continuing medical education to its physicians, thereby ending its affiliation with the UVA CME program.

After Augusta Health terminated the cardiology service lines in March 2009, the parties met on numerous occasions to attempt to maintain a dialogue. One such meeting occurred in Fishersville in the fall of 2010 among President Teresa Sullivan and Leonard Sandridge of UVA and representatives of the Board of Augusta Health and its management. President Sullivan noted she was new to UVA and was interested in a collaborative relationship between UVA and Augusta Health. She followed up after the meeting with a letter dated November 10, 2010, which, in part, stated “Augusta Health can maintain its independent nature while collaborative relationships between our two organizations develop and flourish.” By letter dated December 6, 2010, the Chairman of the Board of Augusta Health responded to President Sullivan, which letter indicated disagreement with UVA’s position on many issues but ended by saying “Augusta Health does not rule out any future opportunity for collaboration with UVA.” As indicated throughout this report, the parties continue to engage in dialogue regarding their relationship.

II. Current Services Provided by UVA Health System in the Augusta Region

Of the services that UVA had been providing to Augusta Health through contractual arrangements as described above, the agreements for Dialysis services, Plastic Surgery, and Patient Transfer and Facility agreements remain in effect. The General Surgery GME training agreement continues. The Gynecology/Oncology agreement expired in 2008 but UVA still provides a physician for consultative Gynecology/Oncology services and Augusta Health pays UVA as if the contract were still in effect.

UVA provides, and has provided for many years, other services in the Augusta Region through its Regional Primary Care clinics. Such services include:

- Cardiology, including electrophysiology, nuclear imaging, echocardiography, and stress testing
- Endocrinology
- Nephrology, including dialysis
- Neurosurgery outreach clinics
- Pediatric urology outreach
- Plastic Surgery
- Pulmonary
- Radiology
- Rheumatology

Additionally, UVA is now providing Hematology/Oncology services in the Augusta Region through the physicians of HOPE, Inc. In 2010, UVA and HOPE, Inc. physicians began negotiations for UVA to purchase HOPE, Inc. UVA's strategy in buying HOPE, Inc. was to help UVA achieve national Comprehensive Cancer Center status and to ensure we had an adequate complement of Hematology/Oncology physicians to enable the newly-opened Emily Couric Clinical Cancer Center to be successful. The HOPE, Inc. physicians are credentialed at Augusta Health and have been providing Hematology/Oncology services to Augusta Health patients for years. In an effort to collaborate with Augusta Health, UVA offered Augusta Health an equity stake in its purchase of HOPE, Inc. but Augusta Health declined the offer. UVA made similar offers to Augusta Health in 2011, but all offers were rejected. UVA purchased HOPE, Inc. on July 15, 2011, and through the HOPE, Inc. physicians, UVA provides Hematology/Oncology services to Augusta Health patients as well as other patients living in the Augusta Region.

Following UVA's purchase of HOPE, Inc., Augusta Health and HOPE, Inc. continued to have a contract for HOPE, Inc. to provide services to Augusta Health that remained effective through September 30, 2012. UVA renewed its offer to Augusta Health to participate in a community oncology program, which Augusta Health declined. Though there had been no diminishment or negative change in service or care provided by the HOPE, Inc. physicians at Augusta Health after July 2011, Augusta Health nevertheless chose to terminate its agreement with HOPE, Inc. effective August 31, 2012.

Further, in April 2011 Augusta Health became a Research Affiliate of Duke, providing patients with access to oncology clinical trials. In September 2011, shortly after UVA purchased HOPE, Inc., Augusta Health announced it had expanded its relationship with Duke to become a full Program Development Affiliate within the Duke Oncology Network.

III. Current Attempts by UVA Health System and Augusta Health to “Avoid or Resolve Issues Surrounding Possible Duplication of Health Services” with Augusta Health

UVA's purchase of HOPE, Inc. was perceived by Augusta Health as unfair competition on the part of UVA with respect to its oncology program, and this caused Augusta Health to appeal to the Virginia General Assembly for protection in the form of a budget amendment sponsored by Delegate Steve Landes and Senator Emmet Hanger. Delegate Landes asked UVA and Augusta Health officials to meet in his office in Richmond on February 14, 2012 to enable the parties to discuss their differences. During this meeting the parties discussed the various contractual relationships that had existed between the parties and the straining of those relationships. Augusta Health and UVA had different views concerning the past interactions between the parties.

Following this meeting, the Augusta Health Board Chairman wrote a letter to UVA dated March 22, 2012 sharing Augusta Health's views of the various contractual relationships between the parties that had been discussed during the February 14, 2012 meeting. UVA responded to Augusta Health in a letter dated May 22, 2012 by acknowledging that the parties might never see eye-to-eye on past events but suggested that they should seek “win-win” relationships going

forward. UVA specifically suggested that the parties explore collaborations in the areas identified by Augusta Health, i.e., Telemedicine, Gynecology/Oncology, and Resident rotations, as well as any other opportunities identified by the parties. Additionally, UVA reiterated its offer for Augusta Health to participate in the UVA/HOPE, Inc. community oncology program in the Augusta Region.

The parties agreed to meet again on May 29, 2012. Senior Leadership from UVA met with Augusta Health Senior Leadership and Augusta Health Board members. During the meeting UVA shared its clinical strategic direction with Augusta Health, emphasizing the importance of partnership in advancing the best interests and health of the patients. Augusta Health then shared its clinical strategic direction and concerns with UVA. The parties acknowledged that they would have to rebuild trust with each other in order to have a relationship going forward. Additionally, both parties acknowledged that given the strategic interests of and the history between the two parties, their discussions might result in both parties agreeing that their separate efforts, including healthy and open competition, might best advance the health of the patients in the Augusta Region and the Commonwealth. The meeting concluded with UVA offering to Augusta Health the opportunity to engage together in partnership discussions.

Thereafter, UVA sent a letter to Augusta Health on June 29, 2012 requesting a meeting to conduct joint planning for the coordinated delivery of complex tertiary and quaternary care to the Augusta Region. UVA reiterated its belief that there are greater opportunities for both UVA and Augusta Health through collaboration rather than competition. Additionally, UVA offered four areas where there existed an immediate opportunity to engage in joint and cooperative planning for health care delivery for the patients in the Augusta Region:

- 1) Extension of Gynecology/Oncology services to the Augusta community
- 2) Referral of HOPE, Inc. laboratory volume to Augusta Health
- 3) Lease of space by UVA from Augusta Health for UVA specialty physicians practice
- 4) HOPE, Inc. admitting privileges

Augusta Health responded in a letter dated July 20, 2012 and agreed to discuss the four topics raised by UVA. Augusta Health also offered an additional topic of discussion concerning how existing tertiary/quaternary care referral relationships might benefit from improved coordination. Augusta Health suggested that the discussions between UVA and Augusta Health focus on seeking common areas of interest and trying to understand each other's institutional strengths and goals.

By letter dated September 24, 2012, Augusta Health indicated a willingness to have a joint planning meeting with UVA to discuss opportunities to continue the delivery of complex tertiary/quaternary care to the residents of the Augusta community. The parties are in the process of scheduling this meeting.

Throughout the summer and into the fall of 2012 UVA and Augusta Health have tried to resolve a problem related to an electronic interface with the UVA electronic medical record (EPIC) so that the HOPE physicians could continue to have lab work performed at Augusta Health in a manner that facilitates high quality, efficient, cost-effective patient care. Without a functioning

interface, the UVA and Augusta Health electronic medical systems cannot effectively communicate, and manual “work-arounds” have been implemented for the short term. However, patient safety, quality, service, and convenience require a robust electronic in-and-outbound interface. The parties continue to work in good faith to develop the robust interface so the UVA HOPE Cancer Care labs can continue to be performed at Augusta Health.