



**Avita Morrow County
Hospital Proposal
September 23, 2019**



Introduction

- Charles T. Walker, Past Board Chair
- Jerome B. Morasko, President/CEO



About Avita Health System

- The creation of Avita Health System occurred when Bucyrus Community Hospital joined Galion Community Hospital in 2011.
- Avita Ontario Hospital opened in February 2017.
- Employees increased from 450 to over 1800.
- Employed medical staff increased from 14 to over 150.
- One of the few independent locally governed health systems remaining in Ohio.

3 HOSPITALS 50+ SERVICE LOCATIONS



Avita's Executive Team

Stability and Experience



Jerome Morasko, MHA, BSBA, CPA

President/CEO,

35 years healthcare C level health care experience, with over 10 years as AHS CEO.



Eric Draime, BSBA

Chief Financial Officer

29 years in healthcare, 9 years with AHS



Shellie Burgin, MBA

Vice President of Physician Services

24 years in healthcare, 11 years with Galion Hospital/AHS



Kim Winkle, MBA

Vice President of Corporate Relations & Operational Support

30 years in healthcare, 8 years with AHS



Shirley Fitz, MSN, RN,
Vice President of Ancillary Services
45 years in healthcare, all with Galion Hospital/AHS



Kathy Durlinger, MBA, RN,
Chief Nursing Officer
40 years in healthcare, 3 years with AHS



Traci L. Oswald, MBA
Chief Human Resources Officer
28 years in healthcare, 20 years with AHS



Myles Creed, BS
Vice President of Medical Staff Development
20 years in healthcare, 6 years at AHS



Cinda M. Kropka, MHA
Compliance/Ethics & Privacy Director/Avita Ontario Executive Director
29 years in healthcare, all with Bucyrus Hospital/AHS



James Goudy, II, MD

Chief Medical Officer, Galion

29 years in healthcare, 15 years with AHS

Internal Medicine with special interest in Gastroenterology



Eric Haus, DO

Chief Medical Officer, Ontario

19 years in healthcare, 10 years at AHS

Internal Medicine



Amanda Kovolyan, MD

Chief Medical Officer, Bucyrus

6 years in healthcare, all with AHS

Family Practice



Financial Summary

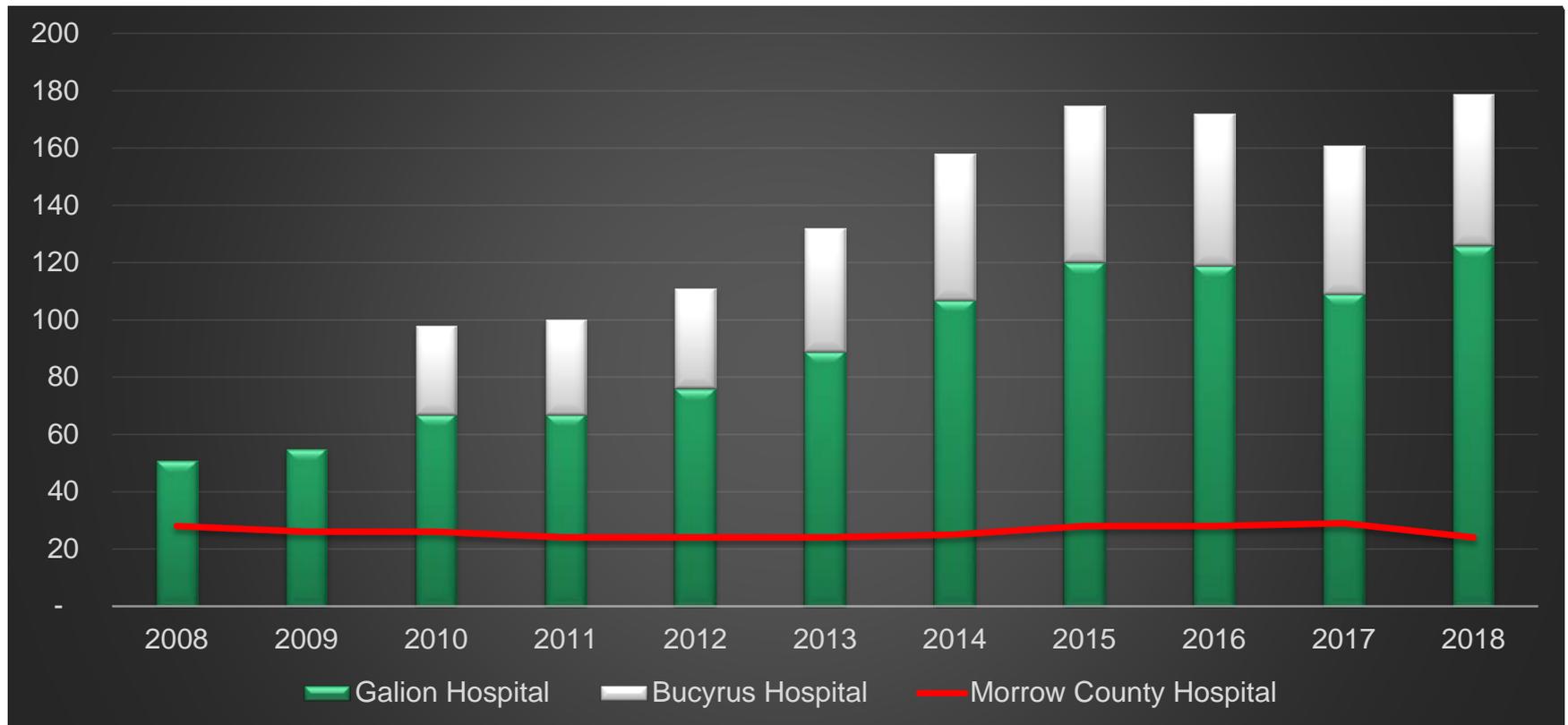
Avita Health System Has More than Quadrupled in Size since 2010

**Operating Revenue
(in millions)**



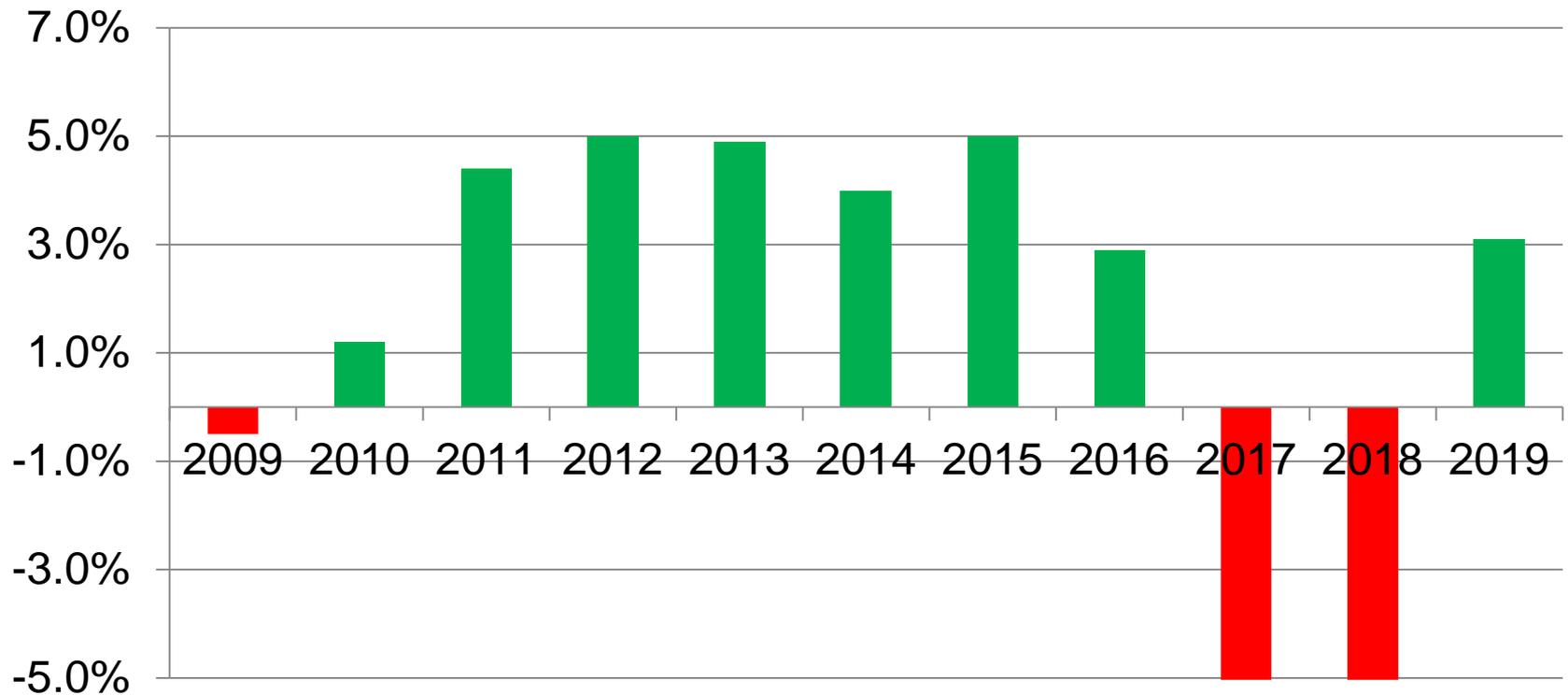
Comparison of Net Revenue by Year

(in Millions)



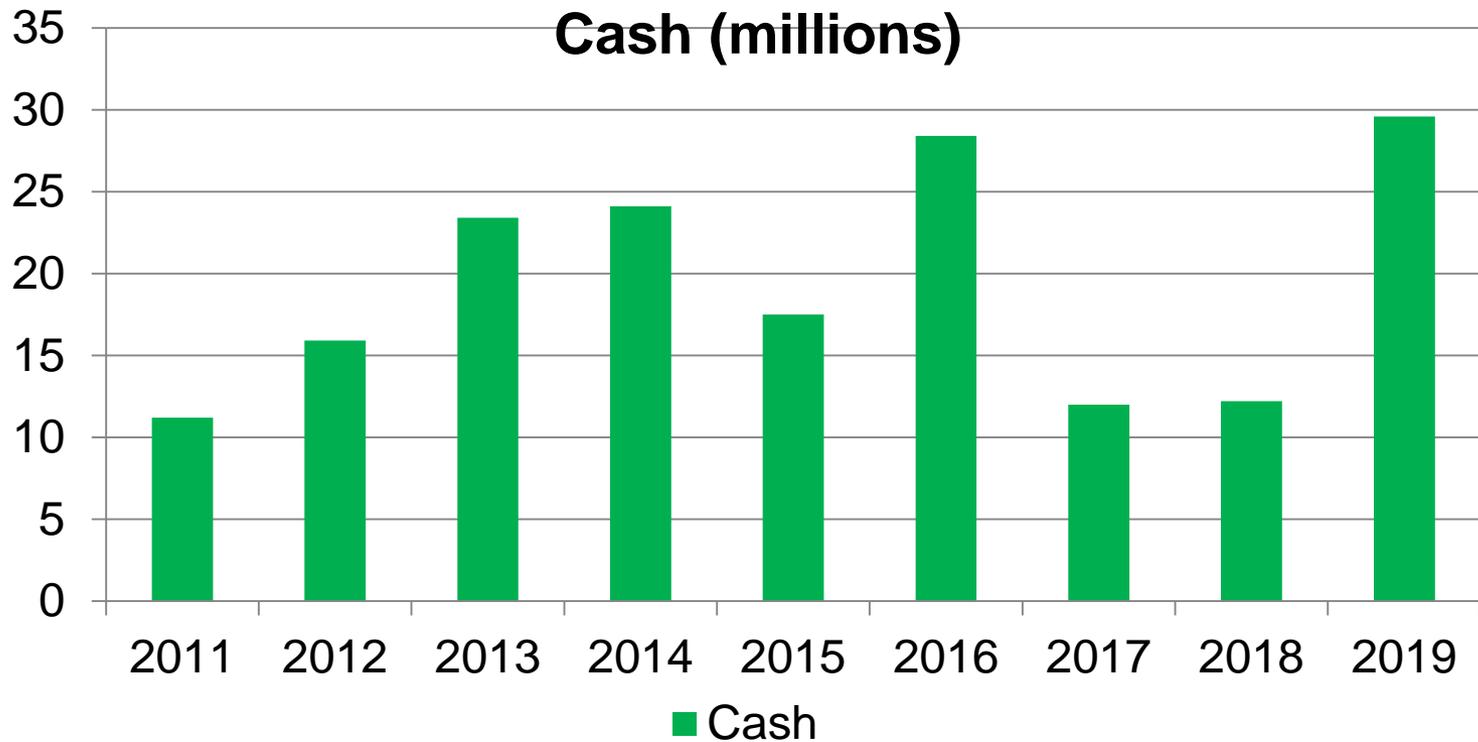
Avita's Operating Margin

Net Operating Margin



Major Investments in Health System Development But Cash on Rebound

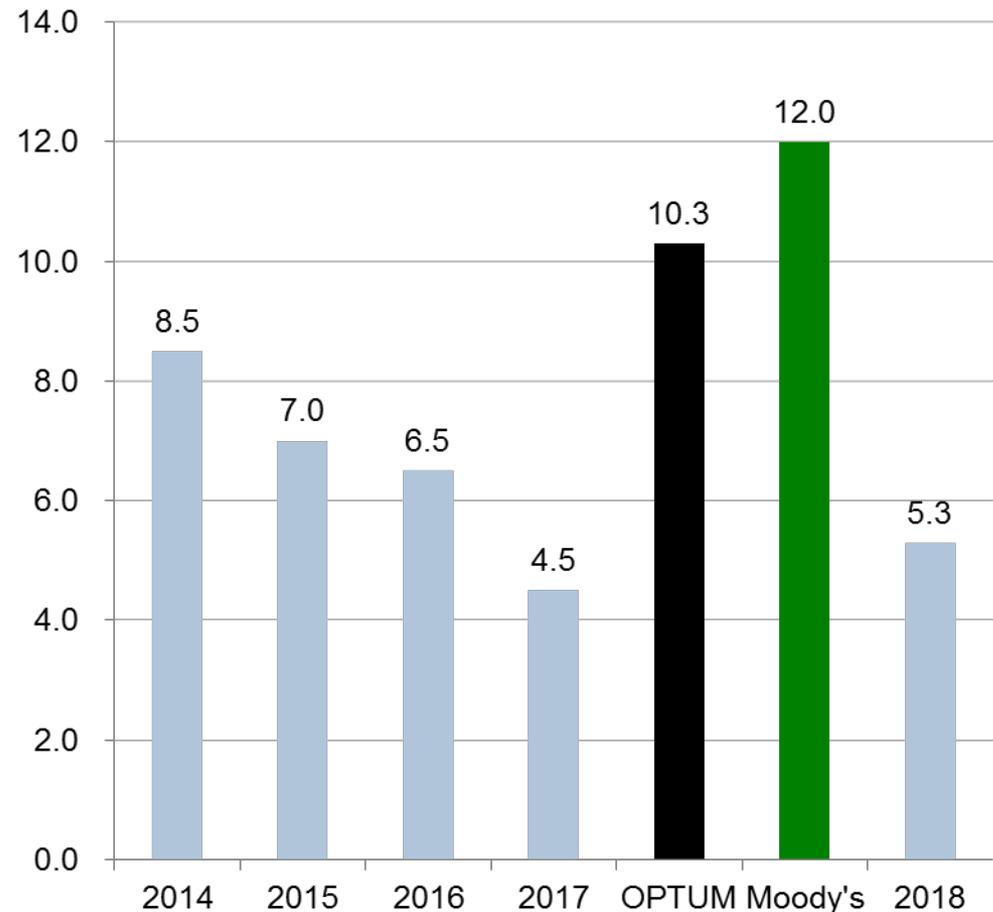
New Hospital, New IT System, Investment in Specialties



Avita Has Invested \$115 Million in Routine and Financed Capital

- Owns/Operates 3 Hospitals and 50 clinic facilities
- Technology:
 - 80 slice low-dose CT (3)
 - 3D mammography (3)
 - Davinci robot w/ 4 arms
 - 3T MRI – only one in market
 - Interventional Cardiac Cath Labs (2)
 - New GE monitors system wide
 - EPIC!

Average Age of Plant Consolidated



Comparison of Net Patient Revenue and Service Provided by Location

	Crawford (ABH and AGH)	Morrow (MCH)
POPULATION	41,746	34,994
NET PATIENT SERVICE REVENUE	\$179,064,000	\$24,259,555
NET PATIENT SERVICE REVENUE PER CAPITA	\$4,289	\$693

Inpatient Services by Location

	GALION	BUCYRUS	MT GILEAD
Anesthesia	YES	YES	NO
Bariatric Surgery	NO	YES	NO
Cardiology	YES	YES	NO
Cath Lab, Level II	YES	NO	NO
General Surgery	YES	YES	NO
Gynecology	YES	YES	NO
Hospitalist	YES	YES	YES
Nephrology	YES	YES	NO
Neurology	YES	YES	NO
Neurosurgery	NO	YES	NO
Obstetrics	YES	NO	NO
Orthopedics	YES	YES	NO
Pediatrics	YES	NO	NO
Pulmonology/Critical Care	YES	YES	NO
Urology	YES	YES	NO
Vascular/Endovascular Medicine	YES	YES	NO

Outpatient Services by Location

	GALION	BUCYRUS	MT GILEAD
Anesthesia	YES	YES	YES
Bariatrics	NO	YES	NO
Cardiology	YES	YES	YES
Ear, Nose Throat	YES	NO	NO
Endocrinology	YES	NO	NO
Endovascular Services	YES	YES	NO
Emergency Medicine, Lab, Imaging	YES	YES	YES
Family Medicine	YES	YES	YES
Foot and Ankle Surgery	YES	YES	NO
Gastroenterology	YES	NO	NO
General Surgery	YES	YES	YES
Geriatrics, Hospice, Palliative Care	YES	YES	NO
Gynecology	YES	YES	NO
Infectious Disease	YES	YES	NO
Internal Medicine	YES	YES	YES
Joint Replacement	YES	YES	NO
Nephrology	YES	YES	YES
Neurology	YES	YES	NO
Neurosurgery	YES	YES	NO

Outpatient Services by Location continued...

	GALION	BUCYRUS	MT GILEAD
Obstetrics	YES	YES	NO
Occupational Medicine	YES	YES	NO
Oncology	YES	YES	NO
Ophthalmology	NO	YES	NO
Orthopedics	YES	YES	YES
Pain Management	YES	YES	NO
Pediatrics	YES	YES	NO
Physical Medicine and Rehabilitation	YES	YES	NO
Plastic and Reconstructive Surgery	YES	YES	NO
Podiatry	YES	NO	NO
Pulmonology	YES	YES	NO
Rheumatology	YES	YES	NO
Sleep Medicine	YES	NO	NO
Social Services	YES	YES	YES
Sports Medicine	YES	YES	NO
Swing Bed	YES	YES	YES
Urology	YES	YES	NO
Vascular Services	YES	YES	YES
Wound Care	YES	YES	NO

Avita is the best choice to maintain hospital services in Morrow County

$$1 + 1 = 3$$

- Avita has a proven track record of saving and developing hospitals in the same geographical rural area.
 - Avita shared services model vs. hub and spoke model. Geographical proximity allows MCH to take advantage of Avita's Medical Staff inpatient team.
 - Bucyrus Hospital hired a national management company that recommended bankruptcy. Avita purchased the assets and provider number in 2011 and made Bucyrus Hospital successful.
 - Avita opened the new Avita Ontario Hospital in 2017, which was a goal that came out of a board retreat in 2013. **Opening a new hospital is much more difficult than pulling an existing hospital into the system.**
 - Avita has an in-house recruitment team (no use of outside contingency/paid recruitment firms) which has a proven track record of recruitment success in this rural market. Avita went from 14 employed physicians/APPs in 2010 to over 150 employed physicians/APPs.
 - Avita does not use contracted ER or Hospitalist companies.

Avita's Proposal

- Initial five-year lease for \$1 per year with option to purchase at the end of the lease for \$5 million dollars; **or purchase for \$5 million dollars upfront.**
- **AHS will not require tax support from Morrow County residents.**
- AHS will invest \$2.44 million in maintaining, replacing, leasing, and purchasing plant and equipment over the term of the lease.
- Purchase would require the transfer of the hospital building and equipment, Critical Access Hospital status, Medicare and Medicaid provider numbers of Morrow County Hospital to AHS
- Avita assumes complete operational control and financial risk.
- The staffing plan for Avita Mount Gilead Hospital is to interview and hire all eligible and interested current Morrow County Hospital staff.
- Avita views this similar to the addition of Bucyrus Community Hospital. AHS hired the original 200 employees and now it operates with over 450 employees.
- AHS will offer two board seats to represent Avita Mount Gilead Hospital on the AHS Governing Board (not an advisory board or committee).
- AHS will not provide a management services agreement (such as the current model) to MCH due to conflict of interest, with having competing hospitals in the same market area.

Choice:

What direction to take the hospital with a
Critical Access designation servicing a population of 35,000 people

Board
Strategy

Growth/Service
Enhancement Strategy.

Vs.

Cost Cutting/Service
Reduction Strategy.

Management
Approach

Proven track record of
growing services and
aligning/developing a
medical staff with
hospital in a similar rural
market.

Proven track record of
reducing services/costs
and creating a system
to transfer patients out
of the community.



Community impact with hospital closure or continued decline of services

1. Loss of professional jobs.
2. Housing market will be hurt.
3. Local therapy services and nursing facilities will be affected.
4. Families will have to travel to receive basic healthcare services.
5. Emergency Services will not be available locally.
6. The downstream economic effects to other healthcare and non-healthcare business is significant.
7. Loss of local income tax revenue.
8. Loss of critical access designation.
9. Etc.

Key Takeaways

- 1. Shared Services Model/Geographic Alignment*
- 2. No Tax Support Required*
- 3. Alignment with Largest Medical Staff in Region*
- 4. Alignment with Health System with proven track record of keeping services local*
- 5. Closest Interventional Cath Lab and OB unit to Mt. Gilead at AGH*
- 6. Two Seats on Avita Board of Directors*
- 7. Board that understands governing towards strategic growth*
- 8. An experienced management team capable of operationalizing a growth strategy in a rural market*

Any Questions?