Feb. 22, 2014

Facts about Erlanger andHutcheson Management Agreement

Here are the facts in response to the silly letter drafted by Roy Barnes seeking $113 million from Erlanger.

At the time Erlanger entered into the Management Agreement,Hutcheson had exhausted $30 million in reserves, it had $25 million in bonded debt, and was accumulating monthly losses in excess of $1.5 million, had not issued audited financial statements for multiple years, and had accumulated over $10 million in debts to vendors – a number of whom were demanding payment to continue supplying Hutcheson.

In addition to this bleak financial picture, Hutcheson and its previous leadership had run up a debt over $12 million to Medicare at 11% interest. As a result, Medicare stopped payingHutcheson for the services it provided, leaving Hutcheson with limited cash flow. The $20 million loan to Hutcheson fromErlanger was largely to fund the operations since Hutchesonwas no longer receiving payments from Medicare.

Without a business partner, Hutcheson would have had to file for bankruptcy protection or closed its doors. This would have resulted in the loss of hundreds of jobs, patients going without care, and North Georgia residents no longer having a community hospital.

Here's what the community needs to know with regards to Mr. Barnes ludicrous demands for $113 million and some of the significant contributions made by Erlanger.

- Erlanger successfully managed Hutcheson since assuming responsibilities in 2011. Erlanger's turnaround efforts were repeatedly and publicly recognized by Hutcheson's board of directors, officials of Catoosa, Walker and Dade Counties, and often cited by local and regional media outlets, including the Chattanooga Times Free Press.
- It is clearly evident that Mr. Barnes, along withHutcheson's Boards and County officials continue to have a complete misunderstanding as to the terms of the Management Agreement. Erlanger, without exception, met each of its obligations to Hutchesonunder the Management Agreement.
- Hutcheson's Board declined to approve many ofErlanger's recommendations to save the hospital during its management of Hutcheson. As disappointing as that was, Erlanger continued to remain dedicated to turning around Hutcheson, including a response toHutcheson's RFP.
- Erlanger has always provided care to North Georgiaresidents, regardless of their ability to pay. Those services range from emergency services and trauma care to surgical services and less acute outpatient care. These services have been provided at no cost to North Georgia counties and those receiving care.
- Erlanger named Roger Forgey as Hutcheson CEO, with the blessings of Hutcheson's board. Mr. Forgey is a seasoned healthcare executive with strong ties to theNorth Georgia region, very familiar with the strategic healthcare needs of this community.
- Two of Erlanger's leading primary care physicians, Drs. Chris Haddock and Chip

Harris, have a long-established medical practice in Ringgold, Ga. at Erlanger South Family Medicine. Dr. Haddock has repeatedly been named "Best Family Doctor" in North Georgia in the annual Times Free Press readership poll. Both physicians are actively involved in this community, and have been supporters of the mission and values ofHutcheson for more than a decade.

- Dr. L. Kendrick Mills, a well-respected cardiologist, graduate of Harvard Medical School, and specialist in cardiology, interventional cardiology and echocardiography, was brought to Hutcheson byErlanger.
- Erlanger made vast improvements to these and other key clinical programs at Hutcheson:
- Emergency Medicine
- Surgical Services
- Hospitalist Program
- Orthopedics
- G.I. Services
- Nephrology Services
- Cardiology
- Primary Care Medicine

Despite Mr. Barnes absurd "tally of 23 itemized failures, injuries and damages that Erlanger inflicted on Hutcheson under the Management Agreement," Hutcheson's boards never once followed the management agreement's process to address any of those now alleged "failures, injuries and damages."

Against all odds, Erlanger was able to overcome the dire situation Hutcheson faced. Not only did Erlanger improve key clinical programs, it moved Hutcheson to a profitable organization, saving hundreds of jobs in the North Georgiacommunity. Based on these facts, it is very evident the $113 million demanded by Mr. Barnes is silly, ludicrous, and absurd.