TESTIMONY OF CHRIS ROTH

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In the United States Federal District Court for the District of Idaho

Saint Alphonsus Medical Center-Nampa, Inc., et. al. v. St. Luke's Health System Ltd., et. al.

Case No. 1:12-cv-00560-BLW

Page Range: 7:16-7:19

7:16 Q. So, Mr. Roth, can you state your full
7:17 name for the record, please.
7:18 A. My full name is Christopher William
7:19 Roth.

Page Range: 7:25-8:3

7:25 Q. What is your title?
8: Page 8
8: 1 A. I'm the Chief Executive Officer.
8: 2 Q. Of?
8: 3 A. Of St. Luke's Regional Medical Center.

Page Range: 21:8-21:24

21: 8 Q. Does this comanagement program simply
21: 9 focus on the heart program at West Valley or does
21:10 it also involve the heart program at St. Luke's?
21:11 A. It primarily focuses on the heart
21:12 program at -- at West Valley. Now, from time to
21:13 time, there are patients at West Valley that are
21:14 going to need care that's not -- that's provided,
21:15 say, at Boise. Primarily, cardiovascular surgery,
21:16 for example, which isn't provided at West Valley.
21:17 And so by getting people at the table
21:18 together and talking about how do we enhance care
21:19 and outcomes, it's going to obviously impact
21:20 St. Luke's, if you will.
21:21 But the focus of the program was really
21:22 enhancing expertise and providing an opportunity
21:23 for West Valley Medical Center to improve their
21:24 program.

Page Range: 21:25-22:6

21:25 Q. Is the heart program at West Valley

22: Page 22
22: 1 co-branded with St. Luke's?
22: 2 A. Yes, it is. It's -- I can't -- I don't
22: 3 recall the logo. It says "in partnership with
22: 4 St. Luke's" or -- but there's a joint logo. I
22: 5 don't know if -- it's not a legal partnership.
22: 6 But, yeah, there's a co-branding.

Page Range: 32:3-32:18

32: 3 How -- how would you describe your
32: 4 relationship overall with West Valley, St. Luke's
32: 5 relationship overall with West Valley?
32: 6 A. They are a facility completely
32: 7 independent of St. Luke's. They serve a -- a
32: 8 population that we also serve. Of course, they
32: 9 have a hospital facility based in Caldwell. We
32:10 have other presence in Caldwell that supports
32:11 that.
32:12 We do compete around quality and
32:13 service, strategy, but we also work together.
32:14 "Coopetition," if you will, is a term sometimes
32:15 used where when we need to partner in a way that
32:16 is in the best interest of the community and the
32:17 organizations, we will. And the heart and
32:18 vascular agreement is a perfect example of that.

Page Range: 33:1-33:3

33: 1 different way. Does St. Luke's have any
33: 2 competitive initiative the effect of which would
33: 3 be to take business from West Valley?

Page Range: 33:6-33:14

33: 6 THE WITNESS: I'm not aware of any
33: 7 initiatives that we have that are directed to
33: 8 take business away from West Valley Medical
33: 9 Center.
33:10 To the extent we are successful
33:11 establishing services and programs and outcomes
33:12 and physicians and parents choose to seek those
33:13 services at St. Luke's as opposed to West Valley
33:14 Medical Center, then that would be the outcome.

Page Range: 34:5-35:5

34: 5 Q. BY MR. ETTINGER: I -- I didn't ask
34: 6 that, and I thought I was very clear. So let me
34: 7 state I'm not interested in the purpose. I'm
34: 8 talking about foreseeable effect -- well, let
34: 9 me -- let me put it another way. Does St. Luke's
34:10 have any competitive initiatives targeted at
34:11 patients in Caldwell?
34:12 A. We -- well, we have a facility in -- a
34:13 cancer facility in Nampa. We have a facility
34:14 in -- an ED and imaging and laboratory in Nampa.
34:15 And our facilities there are placed in Canyon
34:16 County for a reason, to provide care for residents
34:17 primarily in Canyon County.
34:18 Caldwell is in Canyon County; Nampa is
34:19 in Canyon County. So to the extent the patients
34:20 are seeking care and receiving care at those
34:21 facilities, they are not going to receive care at
34:22 the West Valley Medical Center.
34:23 Q. Does St. Luke's have any facilities in
34:24 Caldwell?
34:25 A. Yes.
35: Page 35
35: 1 Q. What facilities?
35: 2 A. We have St. Luke's clinic operations
35: 3 for cardiology and urology. We have also had a
35: 4 breast care services in Caldwell. I believe we
35: 5 relocated those recently.

Page Range: 41:18-41:22

41:18 Let's talk about Primary Health. What
41:19 is Primary Health?
41:20 A. Are you referencing Primary Health
41:21 Medical Group?
41:22 Q. Yeah.

Page Range: 42:6-43:12

42: 6 THE WITNESS: Primary Health Medical Group
42: 7 is a physician group, primary care group --
42: 8 primarily primary care -- meaning family practice
42: 9 and some pediatrics. I believe they have an ENT
42:10 physician as well. They are located in the

42:11 Treasure Valley, primarily Ada and Canyon County.
42:12 They have 13, I believe, clinics, urgent care and
42:13 appointment-based clinics.
42:14 They -- as -- I -- I haven't been in --
42:15 I've been in Boise for just over six years now,
42:16 and my understanding is they were started as a --
42:17 as an extension of Primary Health Insurance a
42:18 number of years ago, which is an insurance company
42:19 that started a physician practice.
42:20 And at some point, the physicians in
42:21 that practice bought the business, bought the
42:22 physician practice from Primary Health Insurance
42:23 and formed it into Primary Health Medical Group.
42:24 That was around 2003 or 2004. I don't recall the
42:25 date specifically.
43: Page 43
43: 1 At that time, the physicians and some,
43: 2 I think, other business owners and Primary Health
43: 3 took out loans, personal loans to buy the
43: 4 business. St. Luke's also provided a loan and at
43: 5 a fair market interest rate, preferred interest
43: 6 rate, to help them acquire that practice.
43: 7 They have been growing and very
43: 8 successful since then. Had a, you know, rough
43: 9 start. As kind of a new business initially, it is
43:10 always very difficult. But they provide, I think,
43:11 great -- I think great care and a great access
43:12 point for residents of the Treasure Valley.

Page Range: 43:13-44:5

43:13 Q. BY MR. ETTINGER: Does St. Luke's have
43:14 an equity interest in Primary Health today?
43:15 A. We have -- our -- our financial
43:16 interest with Primary Health Medical Group is the
43:17 initial loan we gave to Primary Health. It was
43:18 around a million dollars or so, and they pay an
43:19 interest rate on that. That is our only
43:20 investment, if you will.
43:21 As part of that relationship, we are
43:22 also 50 percent of the board. So I sit on the
43:23 board of Primary Health Medical Group, as does
43:24 Jeff Taylor and Gary Fletcher.
43:25 So at any time today, Primary Health
44: Page 44
44: 1 can pay off that loan and say, "Thank you for your
44: 2 assistance. We're -- we don't need you on the

44: 3 board anymore," or what have you. So it is a --
44: 4 it's a -- it's a somewhat loose arrangement, if
44: 5 you will, right now in that regard.

Page Range: 44:6-44:13

44: 6 Q. Primary Health has not up until this
44: 7 point decided to find the million dollars and pay
44: 8 off the loan, correct?
44: 9 A. Correct. We work well together. We --
44:10 I think -- I think we as board members have added
44:11 value to Primary Health Medical Group. And I
44:12 think we've -- I'm proud of the work that we've
44:13 done to help that company grow.

Page Range: 47:11-47:17

47:11 Q. Let me stop you there. When you say
47:12 "we've relocated clinics," you mean Primary Health
47:13 has?
47:14 A. Yeah. The board has got to agree. I
47:15 mean, those are the types of things that the board
47:16 needs to agree on -- new locations, expansions,
47:17 those types of things, and so --

Page Range: 50:11-50:24

50:11 Q. Yeah. I don't know -- I don't mean
50:12 necessarily formally, but is there discussion
50:13 about, you know, where do we need urgent care
50:14 centers?
50:15 A. Yes. There's a discussion about where
50:16 does Primary Health Medical Group need urgent care
50:17 centers. We are not planning urgent care centers
50:18 collectively as our organizations.
50:19 We have urgent care centers today,
50:20 St. Luke's does. In fact, we collectively compete
50:21 against one another in that area. We've got many
50:22 St. Luke's clinics with -- that have urgent care
50:23 or after-hours care. And, you know, in that
50:24 regard, we -- we compete against one another.

Page Range: 51:23-52:13

51:23 Q. And do you -- oh, do you and Mr. Taylor
51:24 and Mr. Fletcher regularly attend board meetings
51:25 of Primary Health?
52: Page 52
52: 1 A. We attend every meeting that is held.
52: 2 The meetings are generally quarterly.
52: 3 Q. And you get written reports from Dr. --
52: 4 A. We get written reports, yes.
52: 5 Q. You -- you -- and I mean -- when I'm
52: 6 saying "you," I mean collectively, you and
52: 7 Mr. Fletcher and Mr. Taylor ever recuse yourselves
52: 8 from any portion of the meeting or are you excused
52: 9 from any portion of the meeting?
52:10 A. I -- I don't recall being excused or
52:11 recusing ourselves for a portion of the meeting.
52:12 Q. Does Dr. Peterman ever withhold any
52:13 information from you in his reports?

Page Range: 52:15-53:5

52:15 THE WITNESS: I don't know if he would -- if
52:16 he did, I wouldn't know he's withholding it.
52:17 Q. BY MR. ETTINGER: But he's never told
52:18 you that this topic is confidential and I don't
52:19 want you to see it or anything of that sort?
52:20 A. No.
52:21 Q. And is there any kind of written or
52:22 oral understanding that there are topics that will
52:23 be withheld from the St. Luke's board members Of
52:24 Primary Health?
52:25 A. Say that again. Say that --
53: Page 53
53: 1 Q. Any kind of written or oral
53: 2 understanding that there are topics relating to
53: 3 Primary Health's operations which would be
53: 4 withheld from the St. Luke's board members?
53: 5 A. Not -- not that I'm aware.

Page Range: 77:25-78:19

77:25 Q. When you say "Today, physicians are
78: Page 78
78: 1 paid on how many patients are seen," that
78: 2 statement was a true statement as to physicians in
78: 3 St. Luke's Clinic, correct?
78: 4 A. Yeah. I -- I -- I would have been

78: 5 referencing -- well, not only St. Luke's Clinic,
78: 6 but just the -- the national scene, generally. I
78: 7 mean, that's how our health care system works
78: 8 today.
78: 9 Q. And this was February of 2012. And
78:10 today, in April of 2013, that is still a true
78:11 statement as to St. Luke's Clinic physicians, is
78:12 it not?
78:13 A. It is, primarily. Although, we are --
78:14 we're beginning to change that. We have
78:15 physicians -- some physicians in the St. Luke's
78:16 Clinic who are -- who are starting to be paid on
78:17 outcomes and quality. It is a slow process and
78:18 change, but we are -- we are beginning to make
78:19 that -- that transition.

Page Range: 78:20-78:22

78:20 Q. Is it fair to say that more than
78:21 95 percent of physician compensation within the
78:22 St. Luke clinics are based on productivity?

Page Range: 78:24-79:1

78:24 THE WITNESS: I don't know if it is more
78:25 than 95. It is definitely the majority.
79: Page 79
79: 1 Q. BY MR. ETTINGER: The vast majority?

Page Range: 79:3-79:9

79: 3 THE WITNESS: It's more than 80 percent. I
79: 4 don't know if it is more than 95, but it's -- the
79: 5 vast majority. That's fair.
79: 6 Q. BY MR. ETTINGER: Okay. And so the
79: 7 physicians in St. Luke's Clinic, most of their
79: 8 compensation is based on wRVUs, correct.
79: 9 A. Correct.

Page Range: 79:16-79:20

79:16 Q. And so to the extent physicians are
79:17 compensated based on wRVUs, the more work they do,
79:18 more patients they see, the more money they make,

79:19 correct?
79:20 A. Correct.

Page Range: 79:21-80:5

79:21 Q. And that's what St. Luke's has talked
79:22 about potentially changing, correct?
79:23 A. Correct.
79:24 Q. Are there any physicians within
79:25 St. Luke's clinic today who have a contract where
80: Page 80
80: 1 the majority of their compensation is not based on
80: 2 wRVUs?
80: 3 A. We do have some physicians who I
80: 4 believe their compensation is a guaranteed salary
80: 5 and is not based on any productivity.

Page Range: 80:6-80:10

80: 6 Q. Okay. Are there any physicians today
80: 7 within St. Luke's Clinic whose compensation is
80: 8 based primarily on quality or utilization
80: 9 measures?
80:10 A. Based -- probably not. Probably not.

Page Range: 80:11-82:13

80:11 Q. Are there any -- has St. Luke's
80:12 developed any standard contracts, either
80:13 tentatively or -- or finally, that would
80:14 compensate primarily based on quality or outcomes
80:15 or utilization?
80:16 A. When you say "primarily," meaning more
80:17 than 50 percent?
80:18 Q. Right.
80:19 A. Not that I'm aware. We are -- I'm
80:20 familiar with our cardiologists that just
80:21 recently -- and they -- and they kind of worked
80:22 this out themselves that they in partnership with
80:23 administration agreed to a new compensation
80:24 methodology where instead of, say, 100 percent of
80:25 their compensation being productivity-based, to
81: Page 81
81: 1 make it 80 percent, I believe is the number. And
81: 2 it might even be 70 percent.

81: 3 But the idea is to increase the
81: 4 percentage that's related to quality and outcomes
81: 5 and decrease the percentage related to
81: 6 productivity over time. We don't -- we don't have
81: 7 plans to do that all at once with all practices.
81: 8 Each specialty is a little different. Each
81: 9 specialty has a different level of ability to
81:10 really monitor meaningful quality outcomes and
81:11 those that are ready to do it, like the
81:12 cardiologists were ready to do it. So we're going
81:13 down that road now.
81:14 Q. So what other specialties besides the
81:15 cardiologists are ready to monitor meaningful
81:16 outcomes?
81:17 A. So -- well, I -- I think many
81:18 specialties are monitoring meaningful outcomes.
81:19 But there's a difference between at what point are
81:20 physicians willing to put their compensation at
81:21 risk, knowing that we can effect -- that we can
81:22 manage those outcomes, that they can influence
81:23 those outcomes.
81:24 Our internal medicine practice, I
81:25 believe St. Luke's internal medicine practice has
82: Page 82
82: 1 a pilot group. I'm not sure if it's the whole
82: 2 group that is evaluating the same concept that the
82: 3 cardiologists did. I don't know how far along
82: 4 they are with that or if we're -- we're close to
82: 5 implementing a new compensation model.
82: 6 I -- I'm -- I know there are other -- I
82: 7 hear of other just similar discussions going on
82: 8 with other specialties, but I can't tell you
82: 9 what -- what they are, who they are.
82:10 Q. Does any other specialty group have a
82:11 pilot program in place yet to -- to change
82:12 compensation to rely more on outcomes or quality?
82:13 A. Well --

Page Range: 82:16-84:23

82:16 THE WITNESS: Our -- our internists, as I
82:17 mentioned.
82:18 Q. BY MR. ETTINGER: Yeah, right. Any
82:19 others?
82:20 A. Our cardiologists. Our entire heart
82:21 and vascular service service line, cardiac
82:22 surgeons and so forth, have -- have quality

82:23 metrics that they need to -- to meet as part of
82:24 their compensation.
82:25 Our orthopedic and neurosurgery service
83: Page 83
83: 1 line has a quality component built into
83: 2 compensation as well. So it is -- we have it
83: 3 visible in -- at different levels and different
83: 4 types of agreements.
83: 5 Q. Okay. Are you familiar with the
83: 6 details of the orthopedic/neurosurgery
83: 7 compensation system?
83: 8 A. Somewhat.
83: 9 Q. So -- so how much is quality and how
83:10 much is -- is production?
83:11 A. Well, we have an arrangement with the
83:12 orthopedic and -- and neurosurgeons. We have a
83:13 company. It's a management company we put
83:14 together to help us -- partner with us to manage
83:15 the entire service line. And in that management
83:16 agreement it started out in the first year, 10
83:17 percent of the compensation was related to
83:18 quality. The second year, 20 percent. The third
83:19 year, 30 percent, and I believe we're now in that
83:20 third year.
83:21 So each year the -- the income paid for
83:22 those services increases by 10 percent. Up to 50
83:23 percent of the payment will be related to specific
83:24 quality outcomes.
83:25 So, for example, our total joint
84: Page 84
84: 1 program, it was very -- had physicians all over
84: 2 the area kind of practicing in their own silos.
84: 3 The physicians came together, set up
84: 4 standard orders for total joint, worked on
84: 5 reducing infections. They reduced the length of
84: 6 stay for patients by a full day. They implemented
84: 7 two -- two centers in Boise and Meridian for group
84: 8 therapy.
84: 9 Those are the types of things that --
84:10 that they have put forth as outcomes, quality
84:11 outcomes that tie to compensation. Patient
84:12 satisfaction, employee engagement, those types of
84:13 things.
84:14 Q. When you said "up to 50 percent of
84:15 compensation will be tied to these measures,"
84:16 that's the long-term goal; is that right?
84:17 A. That's the long-term goal for our
84:18 ortho/neuro program, yes.

84:19 Q. No specific date in mind for as to when
84:20 that goal might be achieved?
84:21 A. By the fifth year of our agreement. So
84:22 it -- it's is written into the agreement that it
84:23 will be achieved.

Page Range: 87:2-87:10

87: 2 Q. For the entire term of the agreement,
87: 3 under the Saltzer agreement, the only method of
87: 4 compensation that's specified is wRVUs, correct?
87: 5 A. Correct. And then -- but we've talked
87: 6 with Saltzer about the need to begin this -- the
87: 7 shift. I think they are -- they're willing to do
87: 8 that, but we haven't started that yet. It takes
87: 9 time. It takes time and trust and working
87:10 together.

Page Range: 99:18-100:5

99:18 Q. BY MR. ETTINGER: Mr. Roth, I've shown
99:19 you what's been marked as Plaintiffs' Exhibit 97.
99:20 They are minutes of a Saltzer Executive Committee
99:21 member meeting which you attended, according to
99:22 the minutes.
99:23 A. Okay.
99:24 Q. Why don't read the "Presentation By
99:25 Chris Roth" section. Of course, that's what I'm
100: Page 100
100: 1 going to talk to you about.
100: 2 A. Okay. Okay.
100: 3 Q. You recall making this presentation at
100: 4 a meeting at -- of Saltzer Medical Group?
100: 5 A. Yes.

Page Range: 100:15-101:2

100:15 Q. And is it -- does the paragraph
100:16 accurately describe your presentation?
100:17 A. For the most part. I -- I would say
100:18 that the sentence that says "...construction is
100:19 planned to start in early 2013 with completion in
100:20 2015," I presented a timeline, but very
100:21 specifically said these are -- these are dates for
100:22 planning purposes, and don't get locked into dates

100:23 because we haven't done our analysis, committed,
100:24 the board hasn't approved.
100:25 And so -- but I did share kind of
101: Page 101
101: 1 long-term planning with general time frames, but I
101: 2 did not commit to a construction date.

Page Range: 101:3-101:11

101: 3 Q. Let's read -- let me read the sentence
101: 4 into the record, and then let's talk about it.
101: 5 "Mr. Roth then explained that work on inpatient
101: 6 services in Nampa is currently ongoing and
101: 7 construction is planned to start early in 2013
101: 8 with completion in 2015."
101: 9 Is that the sentence that you're
101:10 referring to?
101:11 A. That is, yes.

Page Range: 102:14-102:19

102:14 Q. BY MR. ETTINGER: And isn't it the plan
102:15 today of St. Luke's management, subject to board
102:16 approval, to construct an inpatient hospital at
102:17 that site in Nampa?
102:18 A. Yes. That's our -- that's our current
102:19 plan.

Page Range: 103:13-104:2

103:13 Q. How many beds are contemplated?
103:14 A. Well, between 40 and 60. That's -- or
103:15 60 and 80. I -- there's a -- there's -- there's a
103:16 range. It's somewhere in the 70, 75, but we -- we
103:17 then -- we don't haven't have plans. We haven't
103:18 designed the floors. So I couldn't -- I can tell
103:19 you the range. It is in that range of 60 to 80.
103:20 That's based on population growth and all the work
103:21 that our -- our consultants have helped us do from
103:22 a planning purposes -- for planning purpose, has
103:23 concluded that that's the bed need that that
103:24 market and that community will support.
103:25 Q. And the consultants are Wipfli? Is
104: Page 104
104: 1 that --

104: 2 A. Wipfli, yeah.

Page Range: 105:22-106:21

105:22 Q. Now, this paragraph also says, and I
105:23 gather this is accurate, "Chris explained that he
105:24 would very much like to do this jointly with
105:25 Saltzer and looks forward to a positive outcome of
106: Page 106
106: 1 the vote that we will have in the next few weeks."
106: 2 A. Correct.
106: 3 Q. And that was the vote by Saltzer as to
106: 4 whether or not to affiliate with St. Luke's,
106: 5 correct?
106: 6 A. Correct.
106: 7 Q. In fact, you and your colleagues at
106: 8 St. Luke's said to Saltzer, you know, we want you
106: 9 to staff our new hospital; isn't that right?
106:10 A. From the very beginning of our
106:11 discussions with Saltzer and the work we've done
106:12 to integrate, the -- our collective vision is to
106:13 come together to design a more effective delivery
106:14 system in Canyon County and to partner together to
106:15 do just that. And that's been a constant with
106:16 St. Luke's and Saltzer.
106:17 So my reference here is that, look,
106:18 we're -- we need to partner together to determine
106:19 the -- the facility and the size and how it would
106:20 be staffed and services and needs and plan
106:21 together, and we're looking forward to it.

Page Range: 106:24-107:5

106:24 Didn't you and your colleagues say to
106:25 Saltzer, in substance, we would like -- we would
107: Page 107
107: 1 like to do this deal with Saltzer, and then have
107: 2 Saltzer physicians staff the new hospital in
107: 3 Nampa?
107: 4 A. I'm sure at some point we said that or
107: 5 I said that, yeah.

Page Range: 107:11-107:22

107:11 Q. Okay. So how was Wipfli chosen,

107:12 Wipfli?
107:13 A. I don't know exactly. We've -- we've
107:14 used Wipfli, to my knowledge, before my tenure
107:15 started at St. Luke's in various -- various
107:16 capacities. I couldn't tell you all of them.
107:17 I believe they helped do the planning
107:18 and -- and analysis for the hospital in Twin
107:19 Falls, a new hospital we built. And we've used
107:20 them for different projects throughout the years.
107:21 Q. And you're still using them today?
107:22 A. We're still using them today, yes.

Page Range: 107:25-108:3

107:25 Q. BY MR. ETTINGER: I'll show you what's
108: Page 108
108: 1 been marked as Exhibit P 98, which is an E-mail
108: 2 from Mark Murray sending you the Nampa and
108: 3 Fruitland Wipfli analyses.

Page Range: 108:9-108:11

108: 9 Q. So is this, in fact, the Wipfli
108:10 analysis of the Nampa Caldwell area done in 2011?
108:11 A. Yes. It looks to be so.

Page Range: 111:13-112:24

111:13 Q. Okay. Why don't you turn to page 26 of
111:14 the document.
111:15 A. Okay.
111:16 Q. Do you see there are market share
111:17 projections there --
111:18 A. Yes.
111:19 Q. -- if the new hospital opens?
111:20 A. Yes.
111:21 Q. And it shows market shares of
111:22 St. Luke's, West Valley, Saint Alphonsus, Nampa
111:23 and others?
111:24 A. Yes.
111:25 Q. And what they project is that Saint
112: Page 112
112: 1 Alphonsus Nampa's market share would drop if this
112: 2 new hospital opened from 32 percent to 27 percent
112: 3 in the first year that the hospital opened; is

112: 4 that right?
112: 5 A. Yes. It looks like this assumes a
112: 6 hospital opening in 2012, and there would be a
112: 7 market share drop, yes.
112: 8 Q. Right. And it would be a 5-point drop
112: 9 immediately is what these projections say?
112:10 A. That's what the projections say.
112:11 Q. And these projections say that within
112:12 12 years there would be a 10-point market share
112:13 drop from 32 percent to 22 percent for Saint
112:14 Alphonsus Nampa; is that right?
112:15 A. That's correct.
112:16 Q. And in 10 -- in 12 years, the
112:17 cumulative share of St. Luke's Nampa and the other
112:18 St. Luke's hospitals in this area would be 50
112:19 percent, correct?
112:20 A. Ask the -- ask that again.
112:21 Q. The cumulative share of the St. Luke's
112:22 hospitals -- Boise, Meridian, and Nampa -- by
112:23 2024 would be 50 percent according to these
112:24 calculations, correct?

Page Range: 113:2-113:5

113: 2 THE WITNESS: Are you -- are you adding
113: 3 the -- how are you coming up with 50 percent?
113: 4 Q. BY MR. ETTINGER: I'm adding 34 and 16.
113: 5 A. Okay. Yes.

Page Range: 113:6-113:8

113: 6 Q. Do you have any basis for believing
113: 7 these projections are not accurate? Recognizing
113: 8 they are projections and they --

Page Range: 113:13-114:20

113:13 A. Generally, I think they're
113:14 directionally correct. Market -- market shares is
113:15 a tricky thing in the state of Idaho because we
113:16 don't have data that's available in other states.
113:17 So we are making some significant assumptions
113:18 relative to market share using publicly available
113:19 data from Medicare patients. Medicare discharges
113:20 is a proxy for market share.

113:21 So there -- there's -- if this were --
113:22 analysis were conducted in another state, the
113:23 publicly -- you know, the market share data
113:24 available, that would likely be a little more
113:25 accurate than this. I think there's a margin of
114: Page 114
114: 1 error in these assumptions that is difficult to
114: 2 predict. I think directionally this is correct.
114: 3 Q. So is it correct in terms of the
114: 4 proportional changes?
114: 5 A. I -- I don't know if it is 34 or 30 or
114: 6 36. I -- I don't know.
114: 7 Q. Okay.
114: 8 A. But I -- I think it -- when St. Luke's
114: 9 opens up a facility in -- in Nampa, I think it is
114:10 safe to assume that patients and physicians in
114:11 that -- in that community are going to select to
114:12 want to be cared for at St. Luke's.
114:13 We know from our own data that
114:14 St. Luke's is the preferred provider in that
114:15 county and in Nampa. And so it -- I think it is a
114:16 fair assumption to say that if St. Luke's has an
114:17 inpatient services there, because we're the
114:18 preferred provider we're going to see patients
114:19 choose to go to St. Luke's as opposed to another
114:20 provider.

Page Range: 114:21-114:25

114:21 Q. And if St. Luke's has inpatient
114:22 services there and the hospital is staffed by
114:23 Saltzer physicians, the premier group in Nampa,
114:24 that's going to have an even more positive effect
114:25 on St. Luke's shares, is it not?

Page Range: 115:2-115:7

115: 2 THE WITNESS: I -- St. -- Saltzer has a
115: 3 stellar reputation in the community. St. Luke's
115: 4 has a stellar reputation in the community, and I
115: 5 think patients and physicians are going to seek
115: 6 to -- seek care at an organization that's got a
115: 7 exceptional reputation.

Page Range: 116:17-117:2

116:17 Q. And were there any -- since the time
116:18 that Exhibit 98 was prepared in May of 2011, have
116:19 there been any materially different projections
116:20 prepared by Wipfli with regard to these same
116:21 issues?
116:22 A. For Nampa?
116:23 Q. Right.
116:24 A. They've continued to be refined. I --
116:25 I'm not -- I don't recall them being materially
117: Page 117
117: 1 different. They -- they look very -- they look
117: 2 very consistent.

Page Range: 132:8-133:19

132: 8 Q. BY MR. ETTINGER: So describe for me
132: 9 some examples of clinical integration that does
132:10 not -- with physicians that does not involve
132:11 financial integration that St. Luke's is
132:12 undertaking.
132:13 A. Well, I'll use an example of an OB
132:14 practice. Women's -- Women's Health Associates is
132:15 a practice that comes to mind, or the other group
132:16 called "OGA." I forget what OGA stands for, but
132:17 there's a major group from Meridian and a group in
132:18 Boise.
132:19 They are not financially integrated
132:20 with St. Luke's, meaning they are not employed.
132:21 They are not under a professional services
132:22 agreement. They are on the medical staff.
132:23 They -- the nature of an obstetrical
132:24 group is generally they'll -- they'll be in close
132:25 proximity to a hospital so they can get to
133: Page 133
133: 1 patients in an emergency. They tend to practice,
133: 2 not always, but the majority, they select a
133: 3 hospital of preference to focus. Because it --
133: 4 again, if there's too many locations, it becomes
133: 5 difficult to respond in an emergency.
133: 6 Those groups are engaged with us on
133: 7 clinical improvement. They serve in various
133: 8 committee roles. They have served in leadership
133: 9 roles in the past, help advise us on planning and
133:10 facilities and recruitment of staff.
133:11 And so they are, I'd say, aligned
133:12 strategically or towards our mission. They are

133:13 aligned clinically to a great extent. They are
133:14 not aligned financially. They -- they utilize
133:15 other health systems or services for laboratory or
133:16 for imaging, much like Primary Health Medical
133:17 Group does. And they -- they don't -- they don't
133:18 receive a paycheck, if you will, from St. Luke's.
133:19 So we're not aligned financially in that regard.

Page Range: 133:20-134:4

133:20 Q. Are they as clinically aligned as
133:21 OB-GYN groups that are employed by St. Luke's or
133:22 under PSAs with St. Luke's?
133:23 A. In certain areas, yes. I would say had
133:24 you asked me that question a year ago or even six
133:25 months ago, I'd -- I'd say yes.
134: Page 134
134: 1 Today, the St. Luke's clinics, the OB
134: 2 clinics are on the Epic system, so they -- they're
134: 3 are tied together in that arena, clinically more
134: 4 so than others.

Page Range: 135:12-135:24

135:12 Q. BY MR. ETTINGER: You've been shown
135:13 Plaintiffs' Exhibit 102. It says, "St. Luke's
135:14 Operational" -- "Operation Council Meeting." It's
135:15 a Wipfli prepared for St. Luke's January 18, 2013.
135:16 Did I accurately describe the document?
135:17 A. Yes.
135:18 Q. And is this one of those refinements of
135:19 the earlier Wipfli work that you mentioned before
135:20 previously?
135:21 A. Yes, it is. Let me just take a look
135:22 through this quickly.
135:23 Yeah, it -- it's a refinement and then
135:24 some.

Page Range: 139:9-139:14

139: 9 Q. Well, it says programming in Nampa will
139:10 be dependent on a couple things, and one is the
139:11 full support of the Saltzer Group for women's
139:12 services, correct?
139:13 A. Yes.

139:14 Q. Do you agree with that?

Page Range: 139:16-139:19

139:16 THE WITNESS: Yeah. We need to program
139:17 services in Nampa or design services in Nampa with
139:18 the full support of Saltzer and the group at
139:19 Meridian.

Page Range: 156:12-156:25

156:12 want to go back to Wipfli for a minute. Would you
156:13 go back to Plaintiffs' Exhibit 98, which should be
156:14 in your stack there, and turn to page 16.
156:15 And Wipfli projected that for a
156:16 St. Luke's Nampa hospital the average length of
156:17 stay at that hospital would be flat to slightly
156:18 increasing over the 2012 to 2024 period, correct?
156:19 A. Correct.
156:20 Q. And those numbers were utilized in
156:21 coming up with the days projections and then the
156:22 census projections and then the bed projections,
156:23 correct?
156:24 A. Yes. They were all in the mix there,
156:25 yes.

Page Range: 157:15-157:23

157:15 Q. And if you want to reduce hospital --
157:16 inpatient hospital utilization, there are only two
157:17 ways to do it. Fewer people enter the hospital,
157:18 or they get out more quickly through average
157:19 length of stay, correct?
157:20 A. Yeah. I think that's fair. I would --
157:21 I would add, though, that the length of stay we
157:22 experience in St. Luke's, I think Idaho in
157:23 general, is -- is on the low end.

Page Range: 158:8-159:5

158: 8 Take a look at the document I just
158: 9 handed you, which is Bates No. 920864 on the first
158:10 page. This has previously been marked as
158:11 Plaintiffs' Exhibit 62, President's Cabinet

158:12 Meeting. And I want you to turn to -- it's about
158:13 the fourth page of the document. It is
158:14 entitled -- it's page 5 of 41 in the lower right,
158:15 and it says "Inpatient Use" --
158:16 A. Yes.
158:17 Q. -- "Rate Comparison." And this is a
158:18 chart that says, "Idaho ranks fourth lowest in
158:19 nation for inpatient admissions per thousand
158:20 population. Not much room for further reduction."
158:21 Did I read that correctly?
158:22 A. Correct.
158:23 Q. And that's -- this is not a Wipfli
158:24 chart. In this particular usage, this is being
158:25 used in an internal St. Luke's document, correct?
159: Page 159
159: 1 A. Yes. This isn't referencing length of
159: 2 stay. This is referencing inpatient admissions.
159: 3 Q. Right. Right. Which is the other
159: 4 element of utilization, correct?
159: 5 A. Right.

Page Range: 159:15-160:12

159:15 THE WITNESS: I think we are -- generally
159:16 feel that our length of stay is low, that the rate
159:17 of inpatient admissions in Idaho is not going to
159:18 dramatically escalate.
159:19 We know the population is aging.
159:20 Medicare population is going to double in our
159:21 region. We know acuity is going to increase. And
159:22 we are taking those -- these considerations into
159:23 account when we -- when we plan for facilities.
159:24 These are important in that looking
159:25 forward and planning facilities like Nampa or
160: Page 160
160: 1 expansion in Boise or others we're using rates
160: 2 that assume we're performing quite well nationally
160: 3 relative to admissions in others.
160: 4 And in other words, we're not planning
160: 5 at the rates of the District of Columbia with lots
160: 6 of opportunity to improve. Otherwise, we would
160: 7 have the potential of putting too much capacity in
160: 8 this market.
160: 9 The other way to -- to read this is
160:10 that Idaho stacked up with the rest of the nation
160:11 has perhaps less capacity, current capacity than
160:12 the community needs.

Page Range: 164:18-165:8

164:18 Q. And starting at page 10, in January of
164:19 2013, Wipfli repeats the same facts we've just
164:20 seen in several presentations earlier, "Idaho
164:21 inpatient use rate is already one of the lowest in
164:22 the country. May not be much room for further
164:23 reduction in inpatient utilization," correct?
164:24 A. Correct.
164:25 Q. Then let's go to page 13, Slide 13, and
165: Page 165
165: 1 here Wipfli is projecting average length of stay
165: 2 through 2025 estimated, correct?
165: 3 A. Correct.
165: 4 Q. And if we compare 2012, this is a
165: 5 2013 document, to 2025, it is assuming identical
165: 6 average length of stay. No reduction at all,
165: 7 correct?
165: 8 A. Correct.

Page Range: 165:25-166:6

165:25 Q. Okay. Then going to Slide 24. They
166: Page 166
166: 1 next looked in the outpatient area at the high
166: 2 volume ambulatory sensitive conditions, and they
166: 3 found that in Boise these conditions are generally
166: 4 already being managed effectively, well below
166: 5 national averages; isn't that right?
166: 6 A. That's correct.

Page Range: 167:8-168:7

167: 8 Q. And their estimate assuming an overall
167: 9 30 percent reduction in patients expiring in the
167:10 hospital would reduce patients per day by 1.9,
167:11 correct?
167:12 A. Correct.
167:13 Q. What is St. Luke's average daily
167:14 census?
167:15 A. Percentagewise or --
167:16 Q. No, number. Is it a few hundred?
167:17 A. Yeah, a few hundred.
167:18 Q. So this would be a reduction, even if

167:19 this end of life care program were successful of
167:20 maybe 1 percent or less, correct?
167:21 A. It -- it's a small impact.
167:22 Q. Yeah. And then on Slide 49, they
167:23 looked at the possible impact of patient-centered
167:24 medical homes, based on the literature. And they
167:25 said maybe there's a net savings of 2 percent
168: Page 168
168: 1 there, if it works, correct?
168: 2 A. Yes.
168: 3 Q. So the overall conclusion was there
168: 4 really was not a significant opportunity to reduce
168: 5 hospital utilization significantly through these
168: 6 various measures that Wipfli examined, correct?
168: 7 A. Correct.

Page Range: 172:8-172:23

172: 8 Q. Did you tell Saltzer physicians that
172: 9 Saltzer was integral to St. Luke's plans in Canyon
172:10 County, or words to that effect?
172:11 A. I probably said something to that
172:12 effect. They are very important. They are our --
172:13 they're the oldest multispecialty group practice
172:14 in the area. They are highly regarded. They are
172:15 very important in providing care to patients, not
172:16 only in Canyon County, but Ada County as well.
172:17 They have a significant presence on our
172:18 Meridian campus, where nearly half their practice
172:19 resides and -- and practices from.
172:20 But they are established. They've got
172:21 a good reputation, not only with patients but with
172:22 the medical staff. So, yeah, they are -- they are
172:23 a key partner.