

TESTIMONY OF WILLIAM SAVAGE

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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: 7:8-7:12

7: 8 Q. BY MR. WILSON: What's your full name,
7: 9 sir?
7:10 A. William Earl Savage.
7:11 Q. Okay. Do you go by Bill?
7:12 A. I do.

Page Range: 11:10-11:14

11:10 Q. Okay. What is your current title with
11:11 your current employer?
11:12 A. CEO.
11:13 Q. And who is your current employer?
11:14 A. St. Luke's.

Page Range: 11:23-12:2

11:23 Q. Okay. From January 1st, 2013, to the
11:24 present, your title has still been CEO?
11:25 A. Yes.
12: Page 12
12: 1 Q. Of what organization?
12: 2 A. Saltzer Medical Group.

Page Range: 12:9-12:14

12: 9 Q. Okay. And prior to January 1st, you
12:10 were the CEO of Saltzer Medical Group, correct?
12:11 A. Yes.
12:12 Q. And how long -- when did you start as
12:13 the CEO of Saltzer Medical Group?
12:14 A. January 1999.

Page Range: 65:25-66:21

65:25 Q. Okay. When you said that back then at
66: Page 66

66: 1 the time, in 2009, you anticipated that going
66: 2 forward into the future Saltzer was going to be
66: 3 paid in a different manner, what did you mean by
66: 4 that?
66: 5 A. I think I said -- I should probably say
66: 6 that many experts in the field and things that I
66: 7 read, some meetings that I attended, there was --
66: 8 there was talk about being paid for -- being paid
66: 9 for outcomes, being paid for quality measures,
66:10 risk taking and very much like the managed -- in
66:11 some ways, like the managed care environment in
66:12 California.
66:13 Q. Why did that pay structure, if it came
66:14 to pass, require a different organization and
66:15 system than Saltzer had in place?
66:16 A. Well, currently, Saltzer -- at -- at
66:17 that time, Saltzer was strictly on a
66:18 fee-for-service delivery system. And so -- so
66:19 that is vastly different than accepting managed
66:20 care risk for a population, for a panel of
66:21 patients, if you will.

Page Range: 66:22-66:24

66:22 Q. Why couldn't Saltzer negotiate that
66:23 risk on its own? Why did it need to go to
66:24 St. Luke's?

Page Range: 67:4-67:7

67: 1 THE WITNESS: At this time, I'm just
67: 2 developing a strategic plan. I hadn't --
67: 3 Q. BY MR. WILSON: Understood.
67: 4 A. -- I hadn't decided that it could or
67: 5 couldn't or if it was relevant or not. But -- so
67: 6 we were -- this was strictly -- we were very much
67: 7 on the -- on the learning curve here.

Page Range: 67:8-68:15

67: 8 Q. Well, what was it about the potential
67: 9 affiliation with St. Luke's that you might -- you
67:10 thought might be beneficial to Saltzer when it
67:11 came to dealing with the anticipated changes in
67:12 the payment structure?

67:13 A. In my experience, it takes a -- it
67:14 takes a much larger organization in order to
67:15 accept risk -- in resources, both human and
67:16 capital resources, in technology, expertise. I
67:17 think you need a -- you can't assume risk in -- in
67:18 small numbers. It -- it requires a -- a larger
67:19 population. You can't -- accept risk for 2,000
67:20 people is not enough to ride the ups and downs
67:21 of -- of -- of a -- of that population.
67:22 And Saltzer is -- you know, it's been
67:23 said, I've probably said it a lot, that -- that
67:24 Saltzer is the largest independent medical group
67:25 in -- in Idaho. I also follow that by saying that
68: Page 68

68: 1 that probably says more about Idaho than it does
68: 2 about Saltzer.
68: 3 We are not a -- we are large only -- I
68: 4 mean, we're the largest, but we're not nearly
68: 5 large enough to assume that type of risk and
68: 6 develop that type of systems and lay out that kind
68: 7 of capital in a -- in a relatively small to
68: 8 small-medium group of physicians.
68: 9 Q. Okay. Did you also approach St. Luke's
68:10 because of how it would change the landscape for
68:11 Saltzer with respect to its negotiations with
68:12 third-party payers?
68:13 A. No.
68:14 Q. That had nothing to do with it?
68:15 A. Absolutely nothing.

Page Range: 82:8-82:11

82: 8 Q. In late 2010, was it important to
82: 9 Saltzer to maintain considerable autonomy in
82:10 whatever arrangement it worked out with
82:11 St. Luke's?

Page Range: 82:13-82:14

82:13 THE WITNESS: Many of the shareholders felt
82:14 it was important to maintain an independence.

Page Range: 82:24-83:4

82:24 Q. Okay. Did you agree back in December

82:25 of 2010 that the objective of the global PSA that
83: Page 83
83: 1 is described here would be "improved reimbursement
83: 2 through contracts with payers"?
83: 3 A. This -- these are the consultants.
83: 4 This is what the consultants told us.

Page Range: 83:5-83:13

83: 5 Q. Correct. Understand that. So my
83: 6 question to you is did you agree with what the
83: 7 consultants were telling you that that was one of
83: 8 the objectives of the global PSA that is being
83: 9 discussed here?
83:10 A. Increasing reimbursement wasn't our --
83:11 wasn't our reason. It was not our -- it was not
83:12 our principal reason or reason for finding a
83:13 partner to align with.

Page Range: 84:23-84:25

84:23 Q. And how would partnering with
84:24 St. Luke's help curb the stagnation in
84:25 reimbursement rates?

Page Range: 85:3-85-6

85: 3 THE WITNESS: How would it? I -- I think
85: 4 the consultant here is assuming -- it appears to
85: 5 me the consultant is assuming that the hospital
85: 6 has better contracts than Saltzer.

Page Range: 216:14-216:20

216:14 Q. Okay. Do you remember anyone from
216:15 St. Luke's mentioning negotiating leverage?
216:16 A. No.
216:17 Q. Do you remember anyone from St. Luke's
216:18 talking about commercial payer reimbursement?
216:19 A. Commercial payers wasn't part of our
216:20 negotiations, so no.

Page Range: 219:7-219:20

219: 7 Q. BY MR. ETTINGER: That concept?
219: 8 A. So -- so ask the question -- ask the
219: 9 question again. So no --
219:10 Q. Okay. Did you or Ms. Powell say in
219:11 substance to Mr. Reiboldt and/or Ms. Greeter that
219:12 Saint -- that in order for St. Luke's to have a
219:13 hospital in Nampa, it must have a relationship
219:14 with Saltzer?
219:15 A. I would have -- I would have said it
219:16 differently. I think that St. Luke's would not
219:17 come to Nampa, to Canyon County and build a
219:18 hospital with -- without the -- without the --
219:19 well, "consent" isn't the word -- endorsement,
219:20 support of Saltzer.

Page Range: 284:4-250:15

248: 4 Q. BY MR. ETTINGER: I'm showing you
248: 5 what's been marked as Exhibit 529, Mr. Savage, an
248: 6 E-mail from Heather Gillmore to you, Dr. Kaiser,
248: 7 and David Orchard, Bates-numbered Saltzer239891.
248: 8 Take a look at it and I'll ask you about it.
248: 9 A. Okay.
248:10 Q. Who is Heather Gillmore?
248:11 A. She's the application and system
248:12 analyst in our IT department at Saltzer.
248:13 Q. Okay. Okay. And is this an E-mail she
248:14 sent to you and Dr. Kaiser and Mr. Orchard?
248:15 A. Yes.
248:16 Q. And she's giving totals for the
248:17 "demographics survey and the referral-related
248:18 data." Can you tell me what each of these is?
248:19 A. The one from the -- the demographics
248:20 survey is a survey -- there's -- there's a
248:21 question that's asked at check-in, one time, of
248:22 our patients -- beginning in January, I think.
248:23 I'm not sure when we began -- asking -- asking
248:24 patients for their -- I'm not exactly sure how --
248:25 how it's worded -- what is your hospital
249: Page 249
249: 1 preference.
249: 2 Q. Okay. And then does the referral data
249: 3 indicate?
249: 4 A. These are -- these are from referrals
249: 5 where doctors -- where the patient was actually

249: 6 faced with the -- with the opportunity to be
249: 7 referred or opportunity -- with the need to be
249: 8 referred to a provider or ancillary service or
249: 9 some type of health care service.
249:10 Q. Okay. Was this survey commenced since
249:11 the lawsuit was filed?
249:12 A. Just before that.
249:13 Q. Okay.
249:14 A. Parts of it. I -- I'm not sure.
249:15 We -- we started -- we started them at different
249:16 times.
249:17 Q. BY MR. ETTINGER: Okay. And so --
249:18 A. Not before the lawsuit -- no, no. It
249:19 started -- it started at the end of last year.
249:20 Your question was? Would you repeat your
249:21 question? I could --
249:22 Q. Was it started -- was it started after
249:23 the lawsuit was filed, this lawsuit, in
249:24 mid-November of 2012?
249:25 A. Yes, it was after that.
250: Page 250
250: 1 Q. Okay. And this says, "Here are the
250: 2 totals as of tonight," and this is March 18. Were
250: 3 these running totals from the beginning of the
250: 4 survey period?
250: 5 A. These are ongoing -- yes, it is an
250: 6 ongoing process.
250: 7 Q. So as of this date, what this shows is,
250: 8 in percentage terms, only about half the
250: 9 percentage of patients who said they preferred
250:10 Saint Al's were actually referred to Saint Al's by
250:11 Saltzer physicians, correct?
250:12 A. So --
250:13 Q. Is that correct?
250:14 A. That's the difference between the two
250:15 surveys.

Page Range: 252:22-252:24

252:22 Q. Okay. Do you feel personal animosity
252:23 towards the surgeons who left Saltzer?
252:24 A. Personal, no.

Page Range: 253:13-253:19

253:13 Q. Do you have any animosity towards any

253:14 of those surgeons?
253:15 A. No. I don't -- I don't think about
253:16 those surgeons.
253:17 Q. Are you aware -- has anyone at Saltzer
253:18 Medical Group expressed animosity towards those
253:19 surgeons?

Page Range: 253-21

253:21 THE WITNESS: Not that I recall.

Page Range: 270:14-272:10

270:14 Q. BY MR. ETTINGER: Let me show you
270:15 what's been marked as Exhibit 531, Mr. Savage.
270:16 Oh, here it is. I mixed it up slightly so.
270:17 This is a -- some E-mails between
270:18 Mr. Savage and Warren Miller, Bates-numbered
270:19 Saltzer523325. Take a look at it and tell me when
270:20 you're ready.
270:21 A. Okay.
270:22 Q. So Warren Miller, is that a physician
270:23 in Saltzer?
270:24 A. Yes.
270:25 Q. This is E-mails between you and
271: Page 271
271: 1 Dr. Miller in April of 2013?
271: 2 A. Yes.
271: 3 Q. And Dr. Miller asks, among other
271: 4 things, what would happen in the event that
271: 5 Saltzer is unwound pursuant to a court decision?
271: 6 A. Yes.
271: 7 Q. And you say, "If we're required by the
271: 8 court to unwind, you do not lose the goodwill
271: 9 money." Do you see that?
271:10 A. Yes.
271:11 Q. Was that a true statement?
271:12 A. Yes.
271:13 Q. And you say, "Likewise with the shares
271:14 buyback." Do you see that phrase?
271:15 A. Yes.
271:16 Q. And was there a payment for the shares
271:17 by St. Luke's for the Saltzer stock?
271:18 A. No. Saltzer bought back the shares of
271:19 its partners with the proceeds of the transaction.
271:20 Q. Okay. And so what you're saying is the

271:21 partners would not have to return that money to
271:22 Saltzer?
271:23 A. Right.
271:24 Q. Okay. And the proceeds of the
271:25 transaction that were used to buy back the shares,
272: Page 272
272: 1 where did those proceeds come from specifically?
272: 2 A. It came from the -- it came from the
272: 3 workforce in place, the goodwill, and the asset
272: 4 acquisition.
272: 5 Q. Okay. So if the deal is unwound by the
272: 6 court, does Saltzer have to pay back the workforce
272: 7 in play money to Luke's or not?
272: 8 A. I think that's part of the goodwill
272: 9 money. I think that's the goodwill money I refer
272:10 to.

Page Range: 344:11-344:14

344:11 Q. I think so. Let's turn back to
344:12 exhibit -- Plaintiff's Exhibit 529. This is an
344:13 E-mail from Heather Gillmore.
344:14 A. Yes.

Page Range: 344:21-346:11

344:21 Q. BY MR. KEITH: So I wanted you to walk
344:22 me through how the demographics survey information
344:23 is collected.
344:24 A. Heather Gillmore refers to that as
344:25 "demographics information" as to where -- that's
345: Page 345
345: 1 where this -- this question is queried. So it's
345: 2 in the what we call the -- it would be the
345: 3 "demographic screen."
345: 4 And so when patients come in to check
345: 5 in or -- or register, we ask them a question, "Do
345: 6 you have a hospital preference?" And this is the
345: 7 answers that we've gotten. And many of them --
345: 8 you can see, there's a large category of "no
345: 9 preference."
345:10 Many people were taken aback by that.
345:11 It was a -- it was a very -- it was actually a
345:12 very confusing survey. Many didn't know how to
345:13 answer it or why. And we just -- and we told them
345:14 this is just -- this is just on an initial survey

345:15 basis what -- do you have a hospital preference.
345:16 Q. So I have the same question with
345:17 respect to the referral-related data. How is that
345:18 collected?

345:19 A. Referral data, so -- so the first data
345:20 is generally collected in what we would call the
345:21 "front office" or by the receptionist or check-in
345:22 person, "CSR" as we refer to them.
345:23 The second -- the second set of data
345:24 is -- comes from -- comes from the back office,
345:25 generally recorded -- excuse me -- generally

346: Page 346

346: 1 recorded by the MA, the -- the medical assistant,
346: 2 when -- when the doctor and the patient, perhaps,
346: 3 come out of a room and say, you know, Mable needs
346: 4 to go see a surgeon. Mable needs to have an MR.
346: 5 Mable -- something -- something has to be referred
346: 6 outside of Saltzer.
346: 7 And -- and then, you know, we ask them,
346: 8 "Where would you like to go? Do you have a
346: 9 preference?" And these are the results of that
346:10 survey. Two very different groups of people, not
346:11 even a direct subset.

Page Range: 350-20-350-22

350:20 Do you think -- who asked you to track
350:21 referrals as part of the transaction?
350:22 A. I think it was the Attorney General.