

Rebuttal to Atrium Memo of March 21, 2018

- 1. In January 2018, Atrium Health notified Mednax of the termination of its anesthesia services in our facilities** because as a vendor, Mednax chose not to participate in our affordability efforts, and Mednax's recent disputes with providers are not consistent with what Atrium Health requires from any type of partnership.

To the contrary, SAC has endeavored to help Atrium achieve its stated goal of minimizing total cost of Anesthesia care:

- 2015 – Agreed to preferential rates for Atrium's Managed Care Organization, MedCost, resulting in \$1.5 MM savings to MedCost and its patients.
- 2015 – Agreed to practice model at Pineville, Cleveland, Lincolnton, Union, and King's Mountain that resulted in over \$ 3MM of savings to Atrium.
- 2017 – Proposed changes to practice model resulting in efficiencies that would have provided over \$5 MM in savings to Atrium
- 2018 – Proposed modifications to its 2017 proposal that would have added up to \$10 MM more in savings to Atrium

Atrium's last proposal to SAC would have resulted in SAC operating at a several \$MM loss, effectively resulting in the transfer of its entire business to Atrium, hardly consistent with a "partnership".

- 2. Mednax is a publicly-traded and for-profit company that is headquartered in Florida, and bought the local physician-owned Southeast Anesthesiology Consultants** in 2010 for approximately \$200 million.

Atrium understands but has chosen to misstate the facts. Southeast Anesthesiology Consultants is not owned by Mednax. It is physician-owned. Mednax is the provider for contracted management services.

- 3. Atrium Health has partnered with Scope Anesthesia, led by Dr. Tom Wherry, to start serving Atrium Health on July 1, 2018.** Dr. Wherry has managed large anesthesia groups, trained at Johns Hopkins Hospital and is certified by the American Board of Anesthesiology.

It should be pointed out that Dr. Wherry used knowledge he gained from Southeast Anesthesiology Consultants while a "consultant" for Atrium, to formulate his proposal to replace SAC with his newly formed Scope Anesthesia. In fact, Atrium secretly entered into an agreement with Scope while representing to SAC that it wanted to take additional time to negotiate a mutually acceptable resolution of our contractual differences.

Dr. Wherry is widely known for his promotion and dedication to his anesthesiology coverage model as shown in the attached presentation. This approach minimizes physician anesthesiologist involvement, while promoting higher supervision ratios where

anesthesiologists are present. He is now backing away from this position publicly, but we find it hard to believe he's changed his foundational beliefs overnight.

4. We believe by transforming our anesthesia services and ending our contract with Mednax, **Atrium Health can decrease patient co-pays and out-of-pocket expenses related to Mednax anesthesia services, as well as reduce our costs.**

See comment in #1 above.

5. Since 2014, due to ongoing concerns we have had with Mednax, **Atrium Health has transitioned away from Mednax to other anesthesia providers in four other Atrium Health facilities.** Each of these transitions has been seamless and maintained or enhanced quality and patient satisfaction.

Transitioning care at a community hospital or ASC doesn't begin to approach the complexity of transition that will be required for a program as large and complex as Carolinas Medical Center. Scope has no internal infrastructure, has never seen a patient, has not worked with any of these surgeons or staff, yet they are being given this herculean task, the success or failure of which will have a tremendous impact on Atrium and patients, beginning in less than 100 days. Running a few ads and offering to hire some physicians is not a transition plan.

6. **Our physician leadership at Atrium Health, including our Surgeon-in-Chief, fully supports our new approach to anesthesia services,** as it will continue to enhance safety, high quality care and affordability.

It is hard to envision how replacing 86 anesthesiologists, many of whom are sub-specialty trained and have worked closely with Atrium's surgeons for decades, with all new providers who have no history with the surgeons, can possibly "enhance safety and high quality care" which has never been questioned, even by Atrium. One should be asking the question as to how much safety and quality of care will potentially be sacrificed by this much disruption in the pursuit of "affordability".

7. **Atrium Health highly values and respects the anesthesiologists currently practicing at Atrium Health facilities,** and it is Atrium Health's preference that there are no changes in our anesthesiologist providers. We have requested Mednax to allow these physicians to continue to practice at Atrium Health. This is a decision, however, that is solely for Mednax to make.

There is an easy path to achieve Atrium's preference – negotiate with SAC in good faith rather than attempting to transfer the business from SAC to Atrium while reducing physician

compensation to levels that put what has been built over 37 years, at risk. Atrium is terminating SAC physician privileges to practice Anesthesiology at Atrium facilities as of June 30. They could choose not to do so, allowing SAC anesthesiologists to continue to provide care, even without a formal contract.

8. If Mednax decides not to allow its anesthesiologists to remain in our community, **we will be able to attract world-class anesthesiologists** since our surgical programs at Atrium Health are recognized as among the best in the country.

The idea that SAC has decided not to allow its anesthesiologists to remain in the community is disingenuous. SAC, like Atrium has non-compete provisions in its employment agreements. Such provisions were used by Atrium to preclude previously employed Atrium physicians from remaining in the community. As stated in #7 above, it is **Atrium** that is not allowing the anesthesiologists to remain in the community through its decision to terminate their privileges to practice anesthesiology at its facilities. Again, we question the ability to quickly replace the numerous subspecialty anesthesiologists required to run Atrium's surgical program.