TESTIMONY OF SALLY JEFFCOAT

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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: 8:03-8:09

Q. Could you please state your full name for the record?
A. Sally Jeffcoat.
Q. Ms. Jeffcoat, what is your current title?
A. President and CEO of Saint Alphonsus Health System.

Page Range: 66:14-66:22

Q. What led the Mercy Physician Group primary care doctors to leave Saint Al's Nampa?
A. Their contracts were up for renewal. They were not the most productive practice – practices, so we were trying to build in a little more incentive to see more patients. And another area that they were concerned about was the noncompete that we had, the noncompete clause in their contract.

Page Range: 66:23-67:02

Q. What do you mean that you were trying to build in incentives to see more patients?
A. Well, so that they would attain more -- towards more median levels of productivity in their -- to align with their compensation.

Page Range: 68:01-68:04

Q. But ultimately, you -- you made the decision to insist on a noncompete in their new contracts, correct?
A. Some level of noncompete, yes.

Page Range: 68:11-68:14

Q. BY MR. STEIN: Defendants' Exhibit 337 is marked ALPH00652101. And Ms. Jeffcoat, can you

tell me if you're -- know what this document is?

Page Range: 68:15-68:23

A. This appears to be the final recommendations from KSA.
Q. And is this the strategic plan that you referenced earlier that was approved by the board?
A. I don't -- I don't recall that this actual document was the one that was presented. I thought it was more of an executive level summary, but it could have been.

Page Range: 68:24-69:04

Q. The -- but the -- the plan that's summarized in this document, is it the same plan that was –
A. It should be.
Q. -- approved by the board?
A. Yeah. It should be.

Page Range: 69:18-69:21

A. So the question is does this represent the –
Q. The plan that was approved by the board?

Page Range: 69:25-70:05

A. Mr. Stein, I think, looking at this, I think that not the entire document was presented to the board, but probably the Executive Summary of it. But I -- I can't be sure. I'm -- I don't think we would have presented this thick of a packet to the board is all I'm saying.

Page Range: 71:16-72:14

Q. Other than changing the reference to the Alliance, was there a substantive change to the payer contracting goal that was made in the last year?
A. Well, we've -- we've evolved as a health system, and -- and so our approach with the

payers is very dynamic and changing. So I would say that what was previously contemplated in this goal and now how it's described today is probably a little bit different.
And it -- what's still similar is the Advantage Care Network is now under the Alliance and utilizing our network of physicians is the same.
The contracting strategies have evolved, or changed, to some degree. And that's where I rely on my team to -- to come up with – meaning Blaine Petersen and -- and Dr. Goff. So I think this is pretty -- these are KSA's recommendations specifically around payer – innovative payer contracts, which I would say at the time that this was written didn't have the knowledge base that we have today of the market and how payers are approaching the market.

Page Range: 74:06-75:06

Q. Is it your understanding that payers are still interested in more exclusive, limited-panel contracting as a way to manage premium price increases?
A. No. I would say that this – this opinion from KSA was probably wrong.
Q. And based on what?
A. Based upon our experience with payers.
Q. And what -- what -- can you be more specific what you mean by that?
A. Well, I know that, you know, Blue Shield and Blue Cross and PacificSource, all three are wanting -- they're -- they're not as interested in exclusive, limited panel -- they're open to it, but they're not -- I don't think they're totally convinced yet that -- that it's going to work.
I think they're more biased towards what is -- what is the consumer going to accept and -- and not sure that that is going to work.
For instance, our ConnectedCare product, which has been in place now for almost a year, has not sold a lot of lives. And that's an example of a -- a narrow network product that is exclusive to Saint Al's, or the Alliance, and – and it hasn't been very successful yet.

Page Range: 76:10-77:10

BY MR. STEIN: What about the statement that payers are moving towards selective provider panels to control cost growth; do you think that's accurate?
A. Well, the only evidence that I've seen that we've moved to a provider panel is really in the Micron contract, which has been successful, because it's a limited number of providers. But I don't see that -- I can't tell you what contracts from other payers have done the same thing. I have not seen that evidence actually.
Q. Do you -- do you have -- does Saint Al's have relationships with other employers that are similar to Micron? In other words, where St. Luke's is not concluded -- or St. Luke's hospitals are not included in the network?
A. You know, I know that in the past we – we tried mightily to do that with Boise Schools and with Idaho Power. But -- and they – they said no because St. Luke's was -- had to be included in the -- it was sort of a must have. So it's hard to have a -- a narrow network if you don't have all the -- the providers that -- that you need to take care of those employers who perceive that they need those physicians.

Page Range: 90:15-91:03

Q. Could you turn to Slide 126?
A. Okay. 126?
Q. Yes.
A. Okay.
Q. So this is titled "Recommendations for SAMC-Nampa," and Recommendation 2 is, "Develop a strong, stable and dedicated physician base."
And the first bullet there says, "Secure the relationship with Saltzer Medical Group, or compete aggressively."
What does that mean?
A. Let me read the whole thing and then I'll answer. Okay?
Q. Of course.

Page Range: 91:04-91:21

A. So you're asking about the first bullet under Recommendation 2, correct?
Q. Yes.
A. So this was their recommendation that had huge implications, and securing a relationship was certainly the preferred option. Or, you know, certainly them staying independent and supporting our hospital is what we wanted.
Competing aggressively was – was really quite an inept suggestion, honestly. It just was -- when you look at the consequences of competing aggressively against a group of that scale and creating an aggressive competitive relationship, it would cause huge losses at Nampa, as I recall, and still is -- is a concern.
So the implications of this recommendation have not been accepted. We haven't done what was recommended here.

Page Range: 97:15-97-21

Q. So I understand physicians are ethical; they want to do the right thing. But do you agree that the traditional fee-for-service model does provide a financial incentive for utilization –
A. It can.
Q. -- of health care services?
A. It can, yes.

Page Range: 103:14-104:05

Q. And what -- what is this presentation?
A. This is a presentation to regional executives within Trinity and to members of the executive leadership team of Trinity, members of EMG, the previous one we talked about, specifically focused on our clinical integration strategy.
We had -- Trinity engaged BDC, which is a consultant group out of Chicago, and they helped analyze four different markets and worked with us on the development of the Saint Alphonsus Health Alliance.
And so this presentation was an update for educating Trinity and educating the regional executives who work in different markets across

the country to be kind of a shared learning session.

Page Range: 120:21-121:19

Q. BY MR. STEIN: Saint Al's has not attempted to recruit Saltzer internists to be employed by SAMG?
A. We've had discussions with Saltzer. We encouraged them to become part of -- of SAMG. And actually, we were asked by Saltzer to bid on Saltzer Medical Group to become part of SAMG.
Q. Outside of that, the proposal to affiliate with Saltzer as a group, has Saint Al's ever sought to employ any individual Saltzer primary care doctors? In other words, to recruit them from Saltzer to join SAMG?
A. Yes.
Q. And what -- what -- tell me about those efforts.
A. I don't remember a lot of the details. But when we first took over Nampa, Joe Messmer set up a meeting with three of the Saltzer physicians -- I think they were all primary – they were all family practice -- for me to introduce ourselves, because we were still in the process of -- we hadn't actually closed our deal yet. And I met with them to talk about that being an option.

Page Range: 164:15-164:19

Q. BY MR. STEIN: Defendants' Exhibit 348 is marked Coker0001245, and it's an E-mail dated February 1st, 2012, from jeffcoas@sarmc.org. Is that your E-mail address?
A. Yes.

Page Range: 165:09-165:24

Q. And the other document that you attached is titled "Treasure Valley Hospital." And on the first page, it says -- there's a – four bullet points, and the third one says, "High-yielding investment opportunity for practicing physicians -- 819 percent return on investment since 2007."

Do you see that?
A. Yes.
Q. Why were you sending this document to Max Reiboldt and Aimee Greeter?
A. We were in the middle of preparing our proposal for Saltzer, and I believe Max Reiboldt asked us for details on partnering with Treasure Valley Hospital and -- and the SCA organization. So we sent this letter in response to his inquiry.

Page Range: 166:24-166:25

Q. BY MR. STEIN: Defendants' Exhibit 349 is marked SARMC-000507. Do you recognize this

Page Range: 167:05-167:11

Q. And what is this document?
A. This looks like the proposal presenting Saltzer the options for alignment with Saint Alphonsus.
Q. And did you make an in-person presentation of this proposal to Saltzer?
A. Yes.

Page Range: 169:14-169:17

REDACTED

Page Range: 169:18-169:22

REDACTED

Page Range: 173:13-173:22

Q. And did you have an understanding as to how competitive Saint Al's revised offer was compared to the offer made by St. Luke's?
A. Well, not specifically. But Max Reiboldt did share with me originally that – that we were -- we were far apart, or we had some

gap in the financial proposal, and based upon some methodology that I can't recall exactly, the way -- the way that St. Luke's approached it versus the way we approached it.

Page Range: 178:20-178:23

Q. BY MR. STEIN: Defendants' Exhibit 353 is a July 6th, 2012, E-mail from -- I'm sorry – letter from David Ettinger to Stuart Hirschfeld of the Federal Trade Commission.

Page Range: 179:10-180:05

Q. BY MR. STEIN: So on the first page, the last paragraph, Mr. Ettinger writes, "We believe that health care reform and clinical advancement are inextricably linked to narrow networks. More effective clinical integration going forward will involve close management of patients by primary care physicians utilizing an integrated specialty network. This requires that those patient lives be exclusive or virtually exclusive to the particular network. If such patients are free to obtain care on a daily basis from any physicians they desire in an open network, there will be no one with the power to manage their care."
Do you agree with the statements in those -- in that paragraph?
A. I agree with the statement in the context that there be a complete network of providers that can manage that care. And the management of patients by primary care physicians is key to that success.

Page Range: 180:08-180:17

Q. BY MR. STEIN: Defendants' Exhibit 354 is marked BCI369264. This is a July 16th letter, 2012, from Mr. Ettinger to Stuart Hirschfeld at the FTC. And again, take -- take as long as you need to familiarize yourself with this letter. My -- my first question is whether you've seen this letter before?
A. I have not.
Q. Okay.
A. Just looking at it, no.

Page Range: 180:18-182:04

Q. Okay. So on the -- on the first page of this letter, at the very top, it says, "Dear Stuart: You asked about whether the efforts by Saint Alphonsus to recruit additional physicians from outside the market is proving to be a viable strategy to offset the acquisitions by St. Luke's. We believe that that is emphatically not the case. There are many reasons, some apply generally, and some vary by specialty, as explained below," and then you'll see the rest of the letter is divided into various specialties.
So if you turn to page 2 of the letter, do you see there's a section on "Orthopedics"?
A. I see that, yes.
Q. Okay. And that -- and I want to ask you again if you agree with the statements in the first paragraph of this letter -- of this section.
It says, "There are a large number of orthopedic physicians in the Boise area. The problem is that St. Luke's employs the most popular, sought after groups. Therefore, recruitment simply doesn't address Saint Alphonsus' competitive problem. If it were to recruit new employed orthopedic surgeons to the area, they would likely simply compete, ineffectively, with the existing independent orthopedic surgeons. There is no reason to believe that they could successfully win patients from the prestigious Boise Orthopedic and Intermountain Orthopedic groups."
Do you agree with that assessment?
A. Given our experience with Micron and the preference towards Boise Orthopedic and to some degree Intermountain physicians, I would say that it is a competitive problem for us.

Page Range: 182:05-182:18

Q. If you turn a couple more pages, page 4, there's a section titled "Cardiothoracic and Vascular Surgery."
A. Okay.
Q. And in that first paragraph, it says, "The one exception to the lack of success through

recruitment has occurred in cardiothoracic and vascular surgery, where the recruited physicians' patient count has exceeded those of the acquired physicians they were intended to replace."
And is that accurate, based on your understanding?
A. Let me read the rest of it.
Q. Sure .

Page Range: 182:19-182:22

A. So the first paragraph is what you want me to comment on?
Q. Yeah. Yes.
A. I would agree with that.

Page Range: 184:18-184:23

Q. So when the CVA surgeons left, that didn't result in a net decrease in volume of cardiovascular and thoracic cases to Saint Al's, correct?
A. I don't know the exact numbers, but I would say that we're at least even.

Page Range: 199:10-199:14

Q. And is there a timetable for being able to pull data from independent physicians' practices into Explorys?
A. Not that I'm aware of, but it's a – it's a passionate goal.