TESTIMONY OF THOMAS REINHARDT

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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: 7:03-7:05

Q. Would you please state your name for the record again?
A. Thomas Allan Reinhardt

Page Range: 9:13-9:17

Q. Prior to August of 2012, what was your position?
A. I was the Assistant Vice President for physician network development for Saint Alphonsus Health System.

Page Range: 10:14-10:23

Q. How long were you in the role of physician -- Assistant Vice President for physician network development?
A. Since 2009, so approximately three years.
Q. What were you doing prior to that?
A. I worked in the medical group in a variety of roles.
Q. SAMG?
A. SAMG, yes.

Page Range: 14:01-14:05

Q. Okay. So when you were Assistant Vice President of physician network development, you said your responsibilities included practice acquisitions?
A. Yes.

Page Range: 17:19-19:01

Q. And what -- what are the ways that Saint Alphonsus would achieve alignment --
A. Okay.
Q. -- between physicians and Saint Al's?

A. Sure. Many ways. There's kind of a -- we looked at it as a spectrum of alignment options that extend on the one end from an independent physician who simply has privileges at the hospital and -- and is able to see patients at the hospital and -- and refer into the hospital and, you know, sort of provides that traditional relationship, all the way up through employment by the hospital, where they are actually an employee of the hospital and they might either work at the hospital or inside one of the Saint Alphonsus branded practices.

Q. And what would determine the alignment -- which type of alignment would be used with respect to any particular physician or practice?

A. Sure. Sure. You know, largely, it was the preference of the individual physician themselves. Your know, Saint Alphonsus, we honestly didn't have a strong preference whether a physician was employed or independent. In many cases, it was better if the physician were to be independent. It would provide the physician with flexibility, and -- and the hospital would still be able to have a productive relationship with the physician, still be aligned even though the physician is independent

Page Range: 19:02-19:23

And that's the way that it has worked for many years. Over time, more and more physicians have shown an interest in being employed. And in order to preserve the wholeness of our network, to be able to continue to provide that geographic coverage of -- of physicians in the community and to make sure that we had access to specialists within our network, then Saint Alphonsus became more involved in acquisitions.

Q. And over what period of time are you talking about in terms of getting more involved in acquisitions?

A. Well, prior to 1999, Saint Alphonsus employed just a handful, ten, I believe, physicians, all -- all of them internal medicine physicians.

And then since 1999, Saint Alphonsus employed -- began employing more physicians, including some through acquisitions. And I don't -- I don't know whether that trend was higher or lower between '99 and 2006 versus since 2006.

Page Range: 19:24-20:21

Q. So when you came on board at -- at Saint Al's, it was a couple of years after there was -- it started to increase the number of employed physicians; is that right?
A. Yes.
Q. And so what was your understanding for why it was that the number of employed physicians was increasing at Saint Al's, why Saint Al's was employing more physicians?
A. Yeah. Well, as I mentioned before, there was an increasing interest among physicians to become employed. And, you know, many of these physicians were important to Saint Alphonsus because they saw our own employees in their practices. They admitted patients to our hospital. They referred patients to specialists who were admitted at our hospital. And so it was important for Saint Alphonsus to retain some kind of alignment with those physicians. And if those physicians didn't want to be independent anymore, for whatever reason, then we wanted an opportunity to consider employing them.

Page Range: 20:22-21:08

Q. And has the strategy of -- for employing physicians by Saint Alphonsus changed at all since you have been employed by Saint Alphonsus?
A. You know, not -- not substantially. You know, I -- our -- my belief is still that, you know, if a physician wants to remain independent and -- and can sustain their practice being independent, then that's a good thing for the physician practice and we have -- still have the ability to work productively with that physician and would like to.

Page Range: 23:15-23:20

Q. BY MR. STEIN: Are there any benefits that you're aware of to employing primary care physicians, in particular, versus working, your know, looser alignment with primary care physicians?
A. Yeah.

Page Range: 23:22-24:09

THE WITNESS: You know, I think – I think when we employ physicians, those physicians tend to interact more frequently with our hospital, with specialists who work at our hospital. And so -- so just by association they may end up referring more patients to specialists who work at our hospital. But that is because of their more frequent interaction because they are employed.
Q. BY MR. STEIN: What about any clinical or qualify-type benefits from employment? Do you perceive there to be any benefits in that respect?

Page Range: 24:14-24:24

THE WITNESS: You know, I think -- all of our employed physicians are on the same computer network. They can see the same medical records. And I think it is just easier for them to communicate bout patients that they share because now independent physicians can also access that information.
But it just may be easier for employed physicians because, you know, that they are on the same network and they don't have to go through interfaces and so forth.

Page Range: 24:25-25:04

Q. BY MR. STEIN: You had mentioned a few moments ago that one of the things that Saint Al's looks at in determining where to employ physicians is geographic coverage/ is that right?
A. Um-hum.

Page Range: 26:02-26:19

Q. And when you look at a drive time what is the drive tie that -- that Saint Al's has used in order to determine coverage? You know, when you draw a bubble around your existing practices.
A. Sure.
MR. ETTINGER: Are you asking as to primary care physicians specifically?
MR. STEIN: Yeah -- well -- yes, for primary care physicians.
THE WITNESS: Yeah. And it is typically for primary care that we do this, not so much for specialists. And we do rings, as you described, the bubbles around the location -- 5, 10, 15 minutes. 15 minutes kind of being the -- 10 to 15 minutes being the target, if you will, for us to say, well, that's reasonable access to a primary care practice.

Page Range: 33:21-34:02

Q. And ultimately, does the financial analysis of a potential acquisition result in a pro forma?
A. Yes.
Q. And the pro forma, is that -- is that kind of the official best estimate of the likely financial impact of the acquisition?

Page Range: 34:04-34:12

THE WITNESS: We -- we make the best estimates that we can at the time, based on assumptions.
Q. BY MR. STEIN: Right. I understand they're estimates. My question is is the pro forma -- does the pro forma ultimately reflect what those best estimates are at the conclusion of your evaluation process?
A. Typically, yes.

Page Range: 41:10-41:23

Q. What is the "Referral Center"?
A. It's the -- the Resource Center?
Q. I'm sorry. The Resource Center.

A. Yeah. So the Resource Center is a call center that Saint Alphonsus Medical Group employed physicians have access to. So for example, if a family practice physician within SAMG wants to refer a patient to a cardiologist, they can refer that patient directly to the cardiologist, call the cardiologist's office.
Or sometimes it is simpler for them to call the Resource Center and ask the Resource Center to arrange the referral for this patient to a cardiologist.

Page Range: 41:24-43:05

So it is a way to -- to streamline and make it easy for the primary care physician to refer a patient to a specialist and then to have a way to make sure that that appointment is made.
Q. And what -- what physicians are eligible to be part of the universe of physicians who might get referrals from the Resource Center?
A. Well, any physician can receive a referral through the Resource Center. If the primary care physician calls, they can specify a physician for the patient to see. I want this patient to go to cardiologist John Doe or whatever, just picking a random name.
Or they can say I just want this patient to get into the next available cardiologist appointment.
And then -- and in either case, the –
the telephone agent in the Resource Center will do whatever the requesting physician asks.
Q. So in the case where the referring physician doesn't identify a specific physician to be referred to and they just say this patient needs to see a cardiologist or an orthopedic surgeon --
A. Yeah.
Q. -- there will be a -- a list, in essence --
A. Yes
Q. -- of surgeons that are eligible to --
or specialists that are eligible to receive a referral that way; is that right?
A. Correct.

Page Range: 43:06-43:11

Q. And are St. Luke's employed specialists in that -- in that list of physicians who are eligible to get referrals that way or is that limited to Saint Al's aligned physicians?
A. It is limited to physicians on the medical staff at Saint Alphonsus.

Page Range: 46:08-46:16

Q. BY MR. STEIN: Mr. Reinhardt, what involvement did you have in Saint Al's efforts to recruit primary care physicians into the Nampa area?
A. In my role in physician network development, I was the -- I oversaw the recruitment effort. I had three recruiters who reported to me, and so I was very responsible for that activity.

Page Range: 47:15-47:20

Q. And how successful has Saint Al's been in recruiting primary care physicians into the Nampa market?
A. It -- it varies. Nampa is a more difficult market to recruit into. Typically, it is easier to recruit patients into Boise.

Page Range: 72:13-72:17

What's the Saint Alphonsus Health Alliance?
A. It is our accountable care network that is being developed and replaces the Advantage Care Network that we discussed earlier.

Page Range: 72:18-72:25

Q. And what involvement have you had in the development of the Alliance?
A. In the earlier stages of the Alliance development, when we were just organizing, I participated as a staff member on the -- on a couple of committees. My involvement ended in August of 2012 when I accepted my new responsibilities in cardiovascular services.

Page Range: 75:01-75:03

Q. And did you ultimately draft a recommendation for participation in the Alliance?
A. I did.

Page Range: 75:12-76:12

Q. Yeah. How did you determine in the policy that you -- or the proposal that you drafted who would be included --
A. Yeah.
Q. -- and who would be excluded from the invitation to join the Alliance?
A. Okay. So several factors. One is would inclusion of a physician make the network more complete, either by geography, number of physicians that the patients would have to choose from or specialty representation. So completeness of the network is -- is one of the important factors.
Another one is alignment with Saint Alphonsus. The vision for the Alliance is that we would be a network of providers, both hospital and physicians and other entities that would work together to provide care to patients that was connected, continuous, integrated, prevented the duplication of tests, provided improved quality, and so forth.
So alignment with Saint Al's was important because it allowed the physicians to be connected to each other and to Saint Alphonsus Hospital in providing better care to patients. So alignment was another -- another issue.

Page Range: 77:09-78:05

MR. STEIN: When you say you were "asked to draft the proposal," I just want to make sure I understand what that means. Does it mean you were asked to essentially come up with a proposal for the committee to consider or were you -- or was it you were told, look, this is basically the criteria we would like to see in the policy and then you were asked to formalize that?
Do you understand the distinction.
A. I do understand the distinction. So I

participated in discussions with a broader committee about, you know, who would be included, pros and cons. And we batted around the question of whether St. Luke's employed physicians would be in or out, but there was no decision at the committee and no direction to me about whether they should be included or excluded.
But I was asked to -- to come away, take the input, weigh it out, get together with Greg Sonnenberg offline and the two of us would come up with a specific recommendation that we would then give to Dr. Brown for his feedback.

Page Range: 78:06-78:10

Q. Okay. And so that policy was then -- but the policy that you drafted was based on discussions and feedback that you had had with the other committee members at some point preceding the development of the written policy?

Page Range: 78:12-78:13

THE WITNESS: As well as -- as my own thoughts and input with Greg Sonnenberg.

Page Range: 78:14-81:21

Q. BY MR. STEIN: And at the time that you were considering the -- this invitation policy, it was also known that Saltzer Medical Group was on the path to affiliating with St. Luke's; is that right?
A. I'm just trying to think about the timing of it. It was August of 2012. Yeah, we knew that that was a very strong possibility.
Q. So do you recall were there discussions about whether Saltzer should be included in the list of physicians invited to join the Alliance?
A. You know, we -- what we wanted to do was develop criteria for what would include a physician in the Alliance without mentioning, you know, specific entities or physicians or groups in particular.
And so for that reason, we didn't call out Saltzer other than to say here is the criteria we recommend, and then Saltzer would either fit it or not.

But to -- to your question, you know, we did say, okay, let's -- let's -- after we developed -- after Greg and I developed the criteria that we proposed, said, okay, now how would different groups fit into this. If Saltzer is -- remains independent, which is what we hoped that they would do, then they would -- they would fit into this and be invited in to join the Alliance. If they were to become owned by St. Luke's and employed or contracted through a PSA with St. Luke's, then this criteria that Greg and I recommended would exclude them from the network. And that -- that was a very difficult call for us to make because we knew that including them in the network would really make it a much more robust network. It would be satisfying to many of our key stakeholders, such as our own employees, many of whom use Saltzer physicians. And it would make our network so much more complete, especially in Nampa where they represented such a huge chunk of the primary care base. On the other hand, you know, the Alliance was a highly strategic plan for us. And any member of the Alliance, which would include -- and if we allowed St. Luke's employed docs in there, like Saltzer if they became employed by St. Luke's, they would have access to a great deal of sensitive and strategically important information, such as our growth strategy, marketing plans to -- to employers and payers, our fee schedules, and our internal mechanisms on how we would share quality data, improve quality, and clinical protocols and pathways. And those kinds of things would all become -- basically, we would be handing that over to our competitor. And so, you know, we struggled with that. That was a hard call. At the end of -- of that initial draft though, Greg and I felt like, yeah, on the balance, we should probably exclude St. Luke's docs. Feedback I got from Dr. Brown was, you know, I see where you're coming from, but we should include them -- we should give ourselves

07 the flexibility to include St. Luke's employed
08 docs by exception. And so that -- that's the
09 feedback he gave us, so I revised the document to
10 reflect that.
11 Q. By "exception," meaning that the
12 default rule would be that St. Luke's docs would
13 not be invited to join the Alliance, but the
14 board could make an exception to that general
15 rule?
16 A. Yes.
17 Q. And do I understand correctly then that
18 if -- and that would be the same rule that would
19 be applied to the Saltzer doctors if they
20 affiliated with St. Luke's?
21 A. Yes.

Page Range: 81:22-82:02

22 Q. Okay. So you developed this proposal.
23 Dr. Brown provided comments. You modified it.
24 And then what came of that proposal?
25 A. I don't know. That was really the last
82:01 act of mine in that former role as the physician
02 network development director.

Page Range: 107:25-108:04

25 Q. BY MR. STEIN: Defendants' Exhibit 268
108:01 is ALPH679277. It is an E-mail from you, dated
02 October 20th of 2011 to Sharon Job. Let me know
03 when you've had a chance to look at this.
04 A. Okay.

Page Range: 108:05-108:21

05 Okay. I've had a chance.
06 Q. So at the bottom of the page, there's
07 an E-mail dated October 7, 2011, from Sharon Job.
08 And she's the Director of Quality for SAMG?
09 A. So Sharon Job is, or at least was at
10 that time, yes.
11 Q. And she says, "Dr. Steve Brown will be
12 coming to the lead nurse meeting to discuss
13 referrals . . ." What is the "lead nurse
14 meeting"?
15 A. The Saint Alphonsus Medical Group has
16 many nurses employed in our clinics throughout the
17 valley. And so for each clinic, there's a lead

nurse, and so they get together periodically, I think once a month, to discuss nursing issues and other -- other items of importance to nursing in the clinic.

Page Range: 111:17-113:10

Q. I think so. So in the next paragraph you say, "April, Eric, and Jennifer: The message is that every referral matters. It may seem harmless to give a patient the choice of St. Luke's for a mammogram. But if you follow the money, mammograms generate income. If there's a tumor, the biopsy, surgery, chemo, radiation, and all follow-up care that results will also go to St. Luke's."
So what is it that you were conveying there?
A. What I was conveying there is that -- so, again, so this is a nurses' -- a lead nurse meeting. The nurses are -- are often directed by the physician that they are working with to get a patient in for a mammogram or a referral to a cardiologist and so forth.
And the physician often leaves that up to the nurse to finish that referral or set that test or mammogram, for example in this case, up for the patient. And the nurse may be going into it, and the physician too, thinking, well, it doesn't really matter where you get your mammogram, just go get one. I mean -- and that is the important thing is that they get that important test, and they may not be thinking that it is important to get that within the Saint Alphonsus system.
So the message here was it may seem harmless to -- to let that patient, you know, just go wherever they want. And certainly, ultimately, the patient does get to make that choice. But if we're going to make a recommendation, here is why it is important to recommend a Saint Alphonsus facility. And it is maybe just talking about the mammogram or it may be talking about more if the mammogram should unfortunately identify a problem that needs follow-up care and that we have the capabilities within Saint Alphonsus to provide all of the follow-up care for that patient in a very high-quality way and that they -- that the nurse

and the physician should be thinking about that when they make this referral for what they think is just a one-time test.

Page Range: 113:11-113:21

Q. So when you say "it may seem harmless to give the patient the choice of St. Luke's for a mammogram," isn't that conveying that giving them the choice of St. Luke's for a mammogram is – is harmful? It is not something they should be doing?
A. They -- the point was that they may not realize that that has -- that may have real financial negative consequences to Saint Alphonsus Health System by making that referral to a St. Luke's mammogram.

Page Range: 114:15-114:24

Q. BY MR. STEIN: Defendants' Exhibit 269 is ALPH679140. It is an E-mail from you, dated October 13th, 2011, to Steve Brown, Blaine Petersen, Rodney Reider, and Sally Jeffcoat?
A. Yes.
Q. And you're reporting here on some discussions that you've had with representatives of Treasure Valley Pediatrics; is that right?
A. One of their physicians I talked to, yes.

Page Range: 115:10-115:25

Q. And am I correct, she told you that the driving motivation for their decision to become acquired and fully employed by St. Luke's was their desire to implement EMR and the unacceptable expense of doing so on their own?
A. Yes.
Q. Okay. And "EMR" is electronic medical record?
A. Yes.
Q. Do you recall anything else more specific about what she told you?
A. Well, just what it says here was that the -- that they -- the pediatricians liked the Epic system and that -- the fact that's what St. Luke's would have them convert to was a good

thing for them.

Page Range: 124:08-124:12

REDACTED

Page Range: 126:03-127:01

REDACTED

A. Yes.
And it says, “This requirement shall only apply to that portion of physician’s practice subject to that" -- "to this agreement. In furtherance of quality of care, continuity of care, and to foster the exchange of information, in rendering service to patients pursuant to this agreement, physician shall refer patients to a Trinity Health hospital or a wholly owned corporate family member of such hospital for health care services unless an exception exists," and then it lists three exceptions.
Do you see that?
A. Yes.
Q. Is this provision a standard provision of the Saint Al's employment contracts?
A. More or less, yes.
Q. Okay. Any modifications that you're aware of?
A. Not that I'm aware of.

Page Range 127:14-128:06

Q. And how is it that keeping referrals within the Saint Alphonsus system would further those goals -- the quality of care, continuity of care, and fostering the exchange of information?
A. Sure. You know, the -- Dr. Ramsey participates -- his office is on campus at Saint Alphonsus. Easier for him to get to and care for patients who are there on-site; more difficult if he has to travel to other facilities a great

distance away. His familiarity with the hospitalists and cardiologists and other physicians that he interacts with on a daily basis makes communication about patients easier. And -- and so it is -- and then certainly the fact that they all access the same EMR and information system on a daily basis makes that communication easier, quicker, more efficient, and therefore, more effective.

Page Range: 134:04-134:22

Q. Is the Nampa area like Boise, or what's your view on the population of PCPs there?
A. Yeah. So this is another point that I make here is that we need to be specific not only about the geography, but also about the specialty type.
So PCP, primary care provider is a broad category. It includes, in my definition, family practice, internal medicine, pediatrics, and OB-GYN, those four primary care specialties. So we actually have to look at it that precisely that within each market, and sometimes within each neighborhood, we need to look at the accessibility of each of those four types of primary care providers.
So in Nampa, as an example, Nampa seemed adequately served for family practice, but not adequately served for OB and pediatrics, as an example.

Page Range: 135-09-136:14

Q. So when Saint Al's -- Saint Al's, when you were in charge of -- of recruitment, am I right that you would typically have targets for the category of primary care physician?
A. Yes.
Q. And were there -- did you further subcategorize within there and say, well, of the primary care physicians, we want to recruit, you know, "X" number of those need to be family medicine, "X" number of those need to be internal medicine? Or were you just concerned about whatever combination of those got you to your total number?
A. No. We -- we wanted to go specialty by

specialty. So certainly, you know, we couldn't swap out a pediatrician for an OB-GYN or vice versa. So OB-GYN is absolutely we needed this many in this market, and we would be very specific. Same with pediatrics.
But because it was so difficult to recruit internal medicine physicians and there's -- there's a great overlap of service between internal medicine physicians and family practice physicians, that we would often use – if we could recruit a family practice physician when we really wanted an internal medicine physician, we would still recruit the family practice physician in most cases because we knew that they could still care for a large number of the patients that an internal medicine physician can care for.