

**Report of the Monitor, R. Shermer & Company, Inc.,  
to the Parties and the Court  
Concerning St. Luke's Health System, Ltd. and the  
Saltzer Medical Group, P.A.**

**April 10, 2016**

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## **Executive Summary**

As part of its Final Order, the United States District Court in the District of Idaho approved a Monitor Agreement on December 10<sup>th</sup>, 2015 under which R. Shermer & Company (“R. Shermer” or “Monitor”) was appointed to oversee the efforts of St. Luke’s Health System, Ltd. (“St. Luke’s”) to maintain the economic viability and marketability of the assets of the Saltzer Medical Group, P.A. (“Saltzer”) during the divestment process. Additionally, the Order appointed Cain Brothers as Divestiture Trustee (“Trustee”) to accomplish the divestiture, as promptly and reasonably possible.

This report contains observations and information related to R. Shermer’s role as Monitor and summarizes activities working with the management and staff of St. Luke’s and Saltzer during the period from March 11<sup>th</sup> to April 10<sup>th</sup>, 2016. During this period, the Monitor has been in contact with many members of the management and medical staff of Saltzer and the legal staff of St. Luke’s.

The Monitor is satisfied at this time that it has been granted access to all necessary personnel, information and records needed to support the monitoring process. To the best of the Monitor’s knowledge, since December 10<sup>th</sup>, 2015 St. Luke’s has operated within the spirit of the Final Order consistent with its intent and goals.

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## **I. Human Resources, Employee Departures**

From early March through April 10<sup>th</sup>, 2016, there were changes in status involving Saltzer employees. As described below, these moves took place for a variety of reasons and more than two-thirds of these were either neutral or beneficial to Saltzer.

- Seven of these were replacements for individuals who left Saltzer for reasons ranging from retirement of one staff member to an employee leaving to follow a physician who left the practice. One person declined a “matching offer” in order to work in a different sector of the Healthcare Industry.
- One involved a position change to better fit the employee’s role and responsibilities and a wage increase to better align salary with the position.
- One was a status change to recognize new “Certification” status.
- Two were simply changes in status due to individuals being assigned under a new supervisor.

The remaining changes in status were resignations or new hires, as described below:

- The resignation of a full-time Certified Medical Assistant (“CMA”) to follow the physician who left Saltzer for another practice
- The new hire of a Physician Assistant (“PA”)/Nurse Practitioner (“NP”) as a result of the upcoming departure of a physician from the practice.
- The resignation of a full-time Patient Specialist One position, who is planning on staying home with a new baby.
- The new hire/replacement for a full-time Registered Medical Assistant (“RMA”) position of an employee who converted to PRN status.

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## II. Research Update

The Research Group was officially moved to Saltzer effective February 21<sup>st</sup>, 2016 and steps have been taken to rebuild the Research Group as a stand-alone entity under Saltzer. St. Luke's will continue to support this transition per the requirements of the Order.

Developments that have taken place during this reporting period include:

- Several meetings were held to coordinate the transition of the group in order to resolve remaining details and to plan for the migration of the IT supporting Research from St. Luke's to Saltzer. These meetings were attended with people from Saltzer Research, St. Luke's Research, St. Luke's IT, Saltzer IT, and the Monitor.
- Following those meetings, Saltzer and St. Luke's Research personnel began contacting the sponsors of the open research studies to coordinate the best way to manage the remaining life of these projects. This is being worked on a study-by-study basis; some existing studies may remain unchanged and others may be transitioned to Saltzer depending on what works best with the sponsor and the Research Group.
- The IT supporting Research has been migrated from the St. Luke's system to the Saltzer system. As of this writing the transition has been completed, the Saltzer equipment is in place, the files have been transferred, the email accounts are being forwarded, and the processes are in place for St. Luke's to support the Saltzer Research as needed in the future.
- Several minor interventions remain in order to fully complete the transition to an independent Saltzer. A weekly conference call has been established to continue communication to and coordination with all of those involved.

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### **III. Monitoring Focus Areas**

During the last month the Monitor has continued to be involved as needed in many areas of the Saltzer group's operations. Working with the staff and management of St. Luke's and Saltzer, Cain Brothers and the Government Plaintiffs, the Monitor has participated in projects involving the following areas:

- Financial results for February
- Recalculation of monthly lease expense allocations
- Employee departures and hiring approvals
- Exception approvals for people applying for positions at St. Luke's
- Research IT transition
- Research study transition
- Research group funding
- Research support tools
- Physician replacement
- Financial results for 2015
- Income and margin comparison, 2015 vs. 2012
- IT capital budget, five-year plan
- Rationale for IT project spending
- Organization realignment and rationale for adding FTEs
- Trustee selling process progress, pre-discussions with various Saltzer Physicians and staff
- Quality of Earnings Analysis
- Contacting non-Saltzer Designated Employees
- Process for improving communication between Saltzer and St. Luke's; and within Saltzer.
- Short-term solution to help St. Luke's address a potential non-compliance issue.
- Discuss various compliance and divestiture issues with the Government Plaintiffs.
- Work with Cain Brothers during the presentation on the selling process progress to Saltzer partners in Boise.

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#### **IV. Conclusion**

The Monitor is satisfied at this time that St. Luke's is acting consistently with the spirit of the Final Order. Additionally, the Monitor is satisfied that it has been granted access to the personnel, information and records needed to support the monitoring process.

Respectfully Submitted,

R. Shermer & Company, Inc.

April 10<sup>th</sup>, 2016

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 12th day of April, 2016, I electronically filed *Monitor Report No.4-April 2016* with the Clerk of the Court using the CM/ECF system which sent a Notice of Electronic Filing to the following persons:

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