

[MUSIC PLAYING]

CATHY Our top story of the day is actually a story you first heard here yesterday at this time. It's the proposed merger
WURZER: between two large health care providers in our region that, if approved, would make for an even larger healthcare company. Sanford Health, based in Sioux Falls, and Fairview Health Systems in Minneapolis want to join forces, but this is not the first time these two companies have talked about a marriage.

Cara Hetland is the Director of Radio and Journalism Content for South Dakota Public Broadcasting. She's been following this story. Cara, it's so good to talk with you. How are you?

CARA I am well. Thank you. It's so nice to talk with you too, Cathy.
HETLAND:

CATHY And for folks who remember the name, Cara, of course, used to work here at MPR News.
WURZER:

CARA Long time.
HETLAND:

CATHY A long time ago, yeah. So Sanford Health is a major employer in South Dakota, so this is a big story, obviously.
WURZER: Get us up to speed. What's being proposed here?

CARA Well, it is a really big story. Sanford Health is the largest employer in the state of South Dakota. 45,000
HETLAND: employees in its system across the country, 2,800 physicians are associated with Sanford. Two years ago, we had a change in leadership at Sanford, and Bill Gaston came in. And he's kind of set some new priorities.

Number one is to focus on rural health care, and that is what this is by merging with Fairview. So Sanford brings in the rural, the smaller clinics, the telehealth, and Fairview has the urban, the association with the University of Minnesota. And together, then, they can grow and expand even further across the region.

CATHY How Sanford's bottom line? Have they've been struggling or are they OK?
WURZER:

CARA What can you really know about a hospital system's bottom line? I think all hospital systems are struggling.
HETLAND: Sanford really went out and lobbied and took a side during the election for Medicaid expansion in South Dakota wanting more options for billing purposes.

Sanford merged with Good Samaritan Society and now has 200 elder care facilities in its system as well. And so I know they're making these moves as a way to increase care of all ages, right, but do we really know? We don't.

CATHY They're looking, obviously, for a partner, because weren't they dancing with Intermountain Healthcare there for a
WURZER: while?

CARA They were dancing with Intermountain. They were dancing with Unitypoint Health based in Des Moines, Iowa, and
HETLAND: both of those fell through with the change in leadership.

So I don't know if it was, I'm about to retire, and I want to hand off this system that I built attitude for those mergers. But then the new leader came in and said, you know what? Let's focus on what we do well, and that's rural care, smaller clinics, and start expanding our footprint.

Back in 2007 when Sanford became Sanford and received billions of dollars from T. Denny Sanford and changed its name from Sioux Valley to Sanford, they had a lot of money. And they made a lot of bold moves, and they opened clinics worldwide. And now, they're kind of scaling back and coming back home.

CATHY WURZER: So the Minnesota Nurses Association has released a statement saying they're opposing this merger, and I'm wondering-- I don't know how Sanford feels about a unionized workforce. Might that be a hurdle?

CARA HETLAND: It might be a hurdle. We don't have a lot of unions in South Dakota, so it might be a hurdle. It might be. How they left it in their statements yesterday with the press was really-- you know what? We've agreed, our boards agreed, and now a whole lot of other people can have an influence on whether this happens or not.

And this could be one of those influences. Will the workers be treated fairly equitably across this new combined system? Do the med schools want to join forces across this combined system? What about patient care? So there's a whole lot that still need to be debated.

And I think in 2013 when this fell through with Fairview, Sanford wasn't being very open and honest, and I would think that they will answer more questions now.

CATHY WURZER: Say, before you go, Cara, do South Dakota regulators have to sign off on this?

CARA HETLAND: I think South Dakota and Minnesota regulators have to sign off on this, yes.

CATHY WURZER: OK. We'll continue that conversation. Again, it was great talking to you. Thank you so much.

CARA HETLAND: You are very welcome. Have a great day.

CATHY WURZER: You too. Cara Hetland-- South Dakota Public Broadcasting is where she works now. She mentioned this-- and I mentioned this earlier in the program-- this is not the first time the Sanford and the mHealth Fairview systems have tried to merge. Cara mentioned it was nearly a decade ago, 2013, the merger plan was scuttled by a state regulators.

Lori Swanson was the Minnesota Attorney General back then, and she's on the line with us right now-- another voice from the past. Attorney General Swanson, thank you so much for joining us. How are you?

LORI SWANSON: I'm fine, Cathy. Thank you for having me.

CATHY WURZER: Thanks for joining us. So it's going to be a little history lesson for many people here. Sanford and Fairview wanted to merge, as I mentioned, in 2013. You were AG. What do you recall about the business atmosphere? What was it like back then to have sparked negotiations between these two companies?

LORI SWANSON: Yeah. I think a couple of things were going on in the health care system. Unfortunately, people are looking at merging up and getting bigger. Back in 2013, we got involved conducting an investigation because one of the responsibilities of the attorney general is to oversee whether charitable assets are properly administered.

And there were two issues afoot in 2013 that led to public hearings and investigation by our office. One was the control of the University of Minnesota Hospital by Fairview and essentially what would mean exporting control of the University Hospital to an out-of-state organization, namely Sanford.

And then second was Fairview's control of over a billion dollars at that time-- it's much larger now-- and charitable assets that existed and grew up because of the support of Minnesota taxpayers-- both of which I think are present today as well.

CATHY WURZER: Attorney General Keith Ellison has also launched an investigation much as your office did back then. Do you recall-- lawmakers entered the fray on this. A number of lawmakers introduced legislation to block the move. Do you remember what that was all about?

LORI SWANSON: Yeah, absolutely. So in 1997, the University of Minnesota Hospital was sold to Fairview, and there was over a year of public discussion before that sale transpired. But essentially, you had, then, public assets being held and owned by a charitable institution. The University of Minnesota Medical Center trained 70% of doctors in Minnesota, and it's a landmark institution for our state and a point of pride for Minnesota.

University of Minnesota Hospital had the first successful open heart surgery in the world, the first bone marrow transplant, the first pancreas transplant. It has spawned innovations in medical technology like the first heart lung machine to keep patients alive during heart surgery. It invented the first portable cardiac pacemaker.

And innovations like those gave rise to our medical device industry in Minnesota, which employed at that time over 30,000 Minnesotans at over 400 companies. And so one concern related to the impact on taking a public University of Minnesota Hospital controlled by Fairview, a charitable organization, and having it put under the control of an out-of-state organization.

What would be the impact on the medical school? What would be the impact on patients and the status of the medical school as an academic medical center? And also what would be the impact on the University of Minnesota Medical School as an incubator for economic development in Minnesota?

So I think legislators at the time were concerned about those impacts and then also concerned about Fairview's assets. Fairview itself is 100-year-old charitable institution, and charitable organizations receive exemptions from property taxes and sales taxes and income taxes. They get to raise money by issuing tax exempt bonds.

And so really, Fairview existed then and now because of 100 years of support from Minnesotans through these tax exemptions, through donations, gifts of land. For example, Fairview Southdale Hospital today sits on land that was donated.

Another concern then and I suspect now is the impact of a transaction like this on what in 2013 was over a billion in net assets. Today it's over \$2.8 billion in net assets. And what will that mean if these assets are controlled or under the control of an out-of-state organization given that it was Minnesotans who allowed them to exist and grow over those many years?

CATHY WURZER: Current University Vice President Myron Frans who has, of course, a lot of experience in state government was wondering out loud about Fairview's finances. How healthy is Fairview? Did that play a role in the discussions back in 2013? Because I recall others were proposing that the University take over Fairview instead of having Sanford take over Fairview.

LORI SWANSON: Yeah, there was a concern there. Finances didn't play as much of a role in 2013, but back when the transaction was announced then, the University of Minnesota actually came forward with its own proposal to take over Fairview and have the transaction go that way where the University would essentially own Fairview rather than having it outsource to Sanford.

So finances were not as much of an issue then. And I think regardless of the net income today, you still have the issue of just these tremendous amount of assets that Fairview is holding-- over \$2.8 billion in net assets in 2020, anyway-- and what that means in a combination in terms of having those assets devoted to Minnesota.

The courts have held that there are limitations on a charitable institution's ability to allow charitable assets that were developed to benefit a particular state or community from being dissipated from that community or put under governance or control of an out-of-state organization, and that was certainly a big focus and a big issue we had 10 years ago.

CATHY WURZER: Given all you've said and all you've outlined between then and now, it sounds like this proposed marriage will not have easy sledding. Would that be right?

LORI SWANSON: Yeah, I think that should be true. I think that it's really important that there be visibility and public transparency into the huge impact of a transaction like this on Minnesotans. As I mentioned, back when Fairview was looking at acquiring the University Hospital, there was over a whole year of public discussion and debate.

In 2013, we had very visible public hearings where Fairview and Sanford and the University presented but also patients and others got to present in terms of the impact. I mean, you think about Fairview just alone, the size of it today, 34,000 employees, 10 hospitals, very, very significant footprint in health care in Minnesota.

And then when you overlay that on top of that the status as a charitable organization as well as its ownership of the University of Minnesota Hospital, I think it's going to be important for regulators and policymakers and the public to really shine a spotlight on it to know how it will impact patients, how it will impact the academic medical center, how would it impact our economy and Minnesota as a whole.

CATHY WURZER: Great background. Thank you so much. I really appreciate hearing from you. Take care.

LORI SWANSON: Thank you very much.

CATHY

Lori Swanson is a practicing attorney. She is a former Minnesota Attorney General.

WURZER: