

# Case Study: UT Health East Texas



In February 2017, East Texas Medical Center Regional Healthcare System (ETMC) in Tyler, Texas, began its search for a strategic partner to acquire their system. The system of nine hospitals and 39 clinics, including the 502-bed Flagship hospital in Tyler, was struggling with substantial debt and ongoing operational issues.

At the same time, the University of Texas Health Science Center at Tyler (UTHSCT) faced an increasingly consolidated market. The regional academic medical center included an acute care hospital, inpatient behavioral health services, a regional network of outpatient clinics, a growing physician enterprise, residency programs, schools of biomedical research, community, and rural health, and a research enterprise. UTHSCT recognized its need to further grow and began seeking a partner.

## Two Situations, One Opportunity

As ETMC and UTHSCT simultaneously searched for the right partner, Ardent Health Services' name stood out. With repeated success in partnering with other health systems in challenging situations, Ardent's unique joint venture approach of integrating existing local culture and mission with its operational excellence and commitment to quality offered a compelling choice for both entities.

The parties pursued a multi-step transaction in which Ardent acquired the former ETMC assets and joined with UTHSCT to combine the two organizations into an integrated system with a common governance and management structure, as well as a single brand identity.

## UT Health East Texas At A Glance

Hospitals: **9**

Sites of care: **59**

Employed providers: **392**

Capital committed:  
**\$125 million over five years**

Capital investment to date:  
**\$224.4 million**

2022 uncompensated care:  
**\$79.1 million**

2022 taxes paid: **\$18.7 million**

Website: **utthealtheasttexas.com**



For UTHSCT, the deal hinged on retaining the non-profit status and state ownership of its acute care hospital. Maintaining significant equity and governance in the new combined enterprise, and expanding access to clinical educational opportunities throughout East Texas were also clear priorities.

For ETMC, the opportunity offered the expertise of a strong hospital operator with access to capital resources; the ability to preserve its historical mission of providing a wide range of comprehensive healthcare services across the region; and the potential to become part of a larger institutional effort to expand and improve healthcare access, quality, and clinical education throughout Northeast Texas.

## Vision for Growth

The joint venture was formalized in March 2018, with Ardent and UTHSCT each having a significant stake and governance of the combined health system and Ardent managing operations. As a key element of the transaction, Ardent committed to invest \$125 million over the first five years to stabilize the health system and provide needed resources. The unique joint venture strategy also ensured expansion of services to the community while improving operational efficiencies and quality of care for patients and providing a pathway to financial health for the new system. The hospital system was rebranded as the University of Texas Health East Texas (UTHET).





## Making the Impossible, Possible

The joint venture has met many of its goals:

- The health system's financial performance has been stabilized and core inpatient service line volumes have remained steady.
- Investment in the system exceeded the \$125 million five-year target by \$20 million within four years.
- The number of providers has more than doubled and will continue to grow to meet the needs of patients.
- New graduate medical education programs have been established in multiple hospitals.
- A comprehensive, robust clinical research program has been established across the system.

*"The strengths and success of UT Health East Texas have entrenched the brand of the University of Texas throughout East Texas and provided the clinical foundation necessary for future endeavors throughout the region and the state."*

*- Kirk Calhoun, MD, president,  
University of Texas Tyler*

Furthermore, Mission Zero, a safety initiative launched shortly after the joint venture formation, has led to substantial quality improvements within the system. In 2019, the number of hospital-acquired conditions in patients fell by 85 percent, improving quality of care and helping the system avoid significant costs and penalties from the Centers for Medicaid and Medicare Services. Such improvements are a testament to the joint venture's management, strategic leadership, and dedicated employees.

Additional clinical achievements under the new ownership include:

- UT Health Athens achieved Healthgrades' Labor and Delivery Excellence Award.
- UT Health Tyler expanded procedures to reduce stroke risk in cardiac patients.
- UT Health Tyler received Texas Hospital Association's Bill Aston Award for Quality.
- UT Health East Texas EMS received American Heart Association's Mission: Lifeline® EMS Gold Plus Award.
- UT Health Tyler, UT Health North Campus Tyler and UT Health Henderson earned "A" grade from Leapfrog Hospital Quality Scores as of Fall 2021.

*"The UT Health East Texas partnership demonstrates the power and effectiveness of Ardent's joint venture model. By combining capital investment, expert hospital management, and truly exceptional clinical, research, and education programs, the UT Health East Texas system has expanded the delivery of quality healthcare throughout the Northeast Texas region, reaching more patients with more services than ever before."*

*- Donald Baker, regional president,  
UT Health East Texas*