Finding the right partner

As health systems go, Baptist St. Anthony’s is an increasingly rare breed. Highly regarded for its strong clinical outcomes, excellent culture and deep community ties, the Amarillo, Texas, system also boasts something even more elusive – a healthy balance sheet.

Perhaps that’s why the December 2011 announcement that the not-for-profit was seeking a buyer for its assets took many by surprise.

The move, which came after part-owner CHRISTUS Health decided to sell its stake to focus on other markets, drew widespread interest from potential partners. Local non-profit Baptist Community Services – which owned the remaining 50 percent – soon sweetened the deal, announcing it would consider selling its stake to the right buyer.

Unlike many health systems seeking a partner, BSA entered negotiations from a position of strength. Comprised of 445-bed BSA Hospital, the Harrington Cancer Center, a network of primary care, urgent care, surgical and bariatric clinics, a preferred provider network and partnership interests in two surgical hospitals, an endoscopy lab and an imaging center, the system had earned a well-deserved reputation for quality. Twice named a Top 100 Hospital by Truven Analytics, BSA was named to Becker’s Hospital Review’s 2013 “100 Hospitals with Great Heart Programs” list and honored with the Texas Health Care Quality Improvement Silver Award in 2012.

More importantly, BSA is Amarillo’s provider of choice – outpacing its nearest competitor 4-to-1 in overall preference.
A Crowded Field

Not surprisingly, the system’s strong reputation and secure financial standing helped attract more than two dozen suitors, both for-profit and not-for-profit.

“We were flattered by the national attention this transaction created,” recalls Bob Williams, BSA Health System’s president and CEO. “It was an acknowledgement of BSA’s culture of customer service and the great care that our physicians and staff provide.”

While finding a buyer with the financial strength and expertise to ensure the system continued to thrive was crucial, BSA also wanted a partner that shared its vision.

“From the beginning, we were very focused on finding an organization with not only the right set of competencies, but also the right set of values,” said Michael Cruz, BSA’s chief operating officer. “We believe very strongly that our values have been fundamental to our success, so we wanted a partner who would honor that.”

“BSA’s culture has taken years to build,” agrees Kathy Cornett, a local business leader who served on the BSA board of directors for 12 years and continues to serve as president of the new $40 million Harrington Cancer Foundation, which was created with proceeds from the sale.

“As an organization, they’re not afraid of making tough decisions if it’s the right thing to do. It’s a very brave approach and we wanted a partner who would preserve that.”

With the help of Citigroup Global Markets, BSA and its sellers quickly narrowed the field to four finalists and began intensive reverse due diligence. It was during this time that one potential partner began to stand out.

“Ardent distinguished itself early on in the process,” said Williams. “Everyone we met was intelligent and attentive, and they asked all the right questions. Our team felt comfortable with them quickly and we stayed comfortable.”

“We met with some potential partners who had fantastic pedigrees, but they didn’t seem to appreciate the things that make us unique,” Cruz recalls. “Ardent understood right away that we weren’t another turnaround.
They were genuinely interested in what we were doing and how we could work together to add value. They wanted to listen and learn as much as they wanted to share.”

In addition to conducting its own financial due diligence, BSA sought out anecdotal information from industry sources and visited each finalist’s operations to ensure a match in culture and philosophy. According to Williams, the visit to Ardent’s Hillcrest HealthCare System in Tulsa, Oklahoma, was a pivotal point in the decision-making process.

“As we were touring the hospital, it became clear that Ardent CEO David Vandewater and the rest of the team are deeply involved in operations. Again and again, physicians and employees would stop to ask questions or engage him in conversation. There was a level of familiarity and mutual respect, which really resonated with us.”

Ardent’s focus on outcomes and other quality initiatives was also attractive to BSA.

“It was obvious they shared our belief that the patient comes first,” said Paul Hancock, M.D., former CEO of Harrington Cancer Center, which had the option of separating from BSA and its buyer in the event of a sale. “We saw they knew how to run a successful hospital without compromising quality of care.”

Why Ardent?

While it was clear the two organizations admired one another, a partnership was far from certain. Despite submitting a competitive proposal, Ardent’s purchase price was not the highest among the finalists.

However, price isn’t the only factor sellers consider, says M. Toby King, managing director in Citigroup’s Global Healthcare Group.

“These deals are often not just about who can pay a dollar more. Boards will select the buyer they believe will deliver the highest value to the community post-acquisition. Many times, that’s not the buyer who delivers the highest bid.”

In this case, King said BSA put significant value on Ardent’s track record of success in its other markets, as well as its willingness to invest in and improve quality of care in the community going forward.

In the end, price proved to be an obstacle that was overcome by these factors. In October 2012, Ardent and BSA announced the formation of a new joint venture that would operate the health system. Under the agreement, Ardent assumed 80 percent ownership while Baptist Community Services retained a 20 percent stake.

“At the end of the day, you partner with individuals,” says Cruz. “We knew Ardent had the financial strength and expertise but, more importantly, it just felt right.”

Williams also cites the tenure and experience of Ardent’s leadership team and its steady growth as factors in the decision.

“If you look at Ardent’s history, they’re not in mass expansion mode where they grow too fast. Instead, they’ve taken a very structured, diligent approach to building the company.”

The partnership has allowed BSA to preserve its mission while maintaining strong local representation through its governance structure. In 2015, Baptist Community Services sold its ownership stake to Ardent, citing the company’s success operating BSA. Despite the move, Baptist Community Services continues to play a strong role in governance – appointing half the members of a newly formed community advisory board.

“We have historically had a great deal of local flavor and leadership,” said Cornett. “For Ardent to recognize and value that says a lot about their understanding of success.”
**A Bright Future**

Today, the future of BSA Health System is brighter than ever. Ardent has already exceeded its pledge to invest $75 million in the system over five years, paving the way for the addition of new services, equipment and technology.

In early 2016, BSA opened its new $27 million emergency room. An expansion more than doubled the 46-bed ER’s size, adding private rooms and improving flow for patients and staff.

Significant improvements are also underway for the Harrington Cancer Center, which formalized its affiliation with BSA as part of the 2013 sale. A new state-of-the-art cancer facility will expand chemotherapy and radiation services to better serve patients throughout the region.

“BSA has thrived under the leadership of Ardent and its local BSA management team,” said Baptist CEO Steve Dalrymple. “Ardent has been an excellent partner and we believe they will continue to bring great opportunities for BSA to grow and enhance its programs and services.”

For the team at BSA, there’s no looking back.

“I think we all view this as a partnership that sifts out the best of both organizations,” said Cruz. “We believe they can make us more successful and we can help them become more successful as well.”

“We’ve seen a very deliberate focus on quality since day one,” agrees Michael Lamanteer, MD, BSA’s chief medical officer and VP of medical affairs. “Every entity will try to deliver great care, but it’s really about the results. In the first few months with Ardent, we began a very active dialogue around building the systems and processes that deliver a better result.”

More importantly, the organizations’ values are aligned and there is no intention of dismantling the culture that has helped make BSA so successful.

“They’re among the very best in this business, but the human factor is there too,” said Williams. “Whenever there’s been an issue, the response is always ‘do what’s right for the employee’ or ‘do what’s right for the patient.’ That’s only reinforced our decision that we made the right choice.”