Banner Health, University of Arizona Health Network to Merge

On Thursday, June 26, the Arizona Board of Regents and the University of Arizona Health Network (UAHN) Board unanimously gave the go ahead to formal negotiations with Banner Health. Under the proposed agreement Banner will acquire the University of Arizona Medical Center and its south campus, which have 624 beds between them, UAHN's faculty practice, University Physicians Healthcare and the system's three health plans. Initial terms of the agreement stipulate that Banner will spend at least $500 million toward capital projects in the next five years, and it will pay $300 million to establish an academic endowment (1). UAHN's long-term debt, totaling about $146 million, will be absorbed by Banner. UAHN and Banner said plan on reaching a definitive agreement by September.

UA President Ann Weaver Hart was quoted by Tucson News Now as saying, "These 30 years which this agreement anticipates are going to be among the most transformational in health care in America experienced in the last century. And we're absolutely committed to be the leaders in that environment. This is extremely exciting. And I hope you can feel our commitment. We are going to make the future. We are not going to be recipients of the future made by others" (2). We have a solution to expand our capabilities to move care to a higher level, to advance research for our community and our state and to educate the future health care professionals for the state of Arizona," said UAHN President and CEO Dr. Michael Waldrum.

Under the agreement Banner will commit to the "employment of the employees of UAHN and its subsidiaries for at least six months after closing at their current base salaries and retention of their seniority for employee benefits purposes." (1). The proposal also includes a severance package for any employees who are laid off after that six-month period.

Banner owns 25 hospitals in seven states. In total, the proposed transaction is expected to generate about $1 billion in new capital, academic investments and other consideration and value beneficial to UA and the community, a news release said. The resulting organization will employ more than 37,000 people, after adding 6,300 employees at UAHN's two hospitals, the health plan and the medical group.

The Arizona Cancer Center is excluded under the proposed agreement and will remain part of the University of Arizona. The proposal does not affect Banner's existing agreement with the Banner MD Anderson Cancer Center at Gateway Medical Center in Gilbert nor does it affect UAHN's agreement with St Joseph Medical Center in Phoenix.

This would be Banner's first acquisition on an academic medical center which reflects the growing relationship between academia and corporate America (3). Balancing the teaching and research goals of academia and the profit goals of corporations whether profit or not-for profit can be difficult. Some physicians have been troubled by Banner's non-compete clauses on physician contracts as well as Banner's aggressiveness in employing physicians that directly compete with private practice physicians at their
hospitals. It is unclear how this agreement might conflict with the academic goals of UAHN as well as affecting the relationship with physicians currently practicing at Banner.

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References