

SMP Health System

President and CEO of SMP Health System Aaron K. Alton recalls an acquisition that put his faith to work.

Mission Possible

SMP Health System (SMPHS) is committed to its mission – so committed, in fact, that President and CEO Aaron K. Alton says that it took a near-miracle to help it achieve one of its greatest initiatives.

SMPHS is comprised of hospitals, health clinics, long-term care facilities, home health, and senior housing, mainly in North Dakota but with operations also in Iowa and Illinois. In 2002, it placed a bid to purchase five nursing homes previously owned by Banner Health System. Banner was liquidating its Midwest assets in a move to build up its Arizona operations with two new hospitals. SMPHS, a Catholic-based health system founded by Sisters of Mary of the Presentation, saw it as an opportunity to further its mission – or ministry as Alton calls it – of healing the whole person.

“When you talk about caring for the whole person, that’s a philosophy that we refer to as our healing hospitality,” Alton explains. “As a Catholic health system, we are a ministry of the Church; we emphasize that we want to seek to heal as Jesus did, which is to heal the whole person. When someone comes to us who needs care, we don’t just look at their physical needs, we want to care for the whole person – emotional, spiritual, social and physical.”

A Big Purchase

After two-and-a-half months of due diligence, SMPHS entered the bidding round with a \$20 million offer for the five long-term-care facilities all based in North Dakota – a few million dollars shy of the highest offer. Banner informed SMPHS that it decided to go with someone else. The news didn’t sit well with Alton.

“I took that as an opportunity to quickly meet with Banner’s reps in Fargo and explain to them how our system arrived at our bid,” he says. “It was basically based on the North Dakota long-term care reimbursement model and I felt that if anyone were to pay more than what we proposed, it would have been detrimental on the nursing homes going forward.”



“I also explained that if they looked at the history of our sponsors and our experience in our other communities, we prove our commitment to providing care to our patients and residents and to staying in the community – that we were not there to make money by quickly selling the facilities off and that no employee jobs would be at risk. That conversation was on a Friday. On Monday, I received a call from the Banner reps saying they reconsidered and were going to award us with the bid for the long-term care facilities.”

Capital at Risk

SMPHS had two months to get its financing in place. It worked with a bank to secure 100 percent of the bid amount and a deal to borrow the first three months of working capital. Every week, SMPHS checked in with Banner to confirm that the deal was still in process with no concerns. However, two weeks prior to closing, SMPHS’s financial partner pulled out, stating that it wanted more environmental studies done – a 60-day affair.



Aaron K. Alton,
president and CEO

“It was a deal breaker,” Alton recalls. “All that we had gone through was at

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risk because the lender had a change of heart. But that's when the second miracle happened."

SMPHS's attorney referred it to a local player, State Bank and Trust. SMPHS informed the bank of its story and deadline - 10 business days. The financial institution was willing to help, but with a lending limit of only \$5 million it had to form a consortium to finance the project. Working day and night, the group was able to pull it off.

"Throughout the entire process, I kept telling myself, if it was meant to be, it would happen and if it wasn't, it wouldn't," Alton says. "I truly believe divine intervention took place and that the five long-term care facilities became a part of the Sisters of Mary of the Presentation Health System because it was meant to be."

Since the acquisition, SMPHS has invested \$20 million renovating the five facilities. Two are in Fargo, N.D., and the other three in Valley City, Jamestown and Enderlin, N.D. It started out as the owner of these facilities with a zero-dollar equity balance but now has \$12 million in cash reserves. The long-term care facilities were fully integrated into SMPHS's system with as little disturbance as possible.

Just as SMPHS invested in the long-term care facilities, it continues to invest in its other facilities, as well. St. Aloisius Medical Center in Harvey, N.D. recently broke ground on a \$6 million addition and remodeling project. St. Margaret's Health in Spring Valley, Ill. has invested \$8 million to redesign its operating and recovery rooms. SMPHS is also investing in EHR technology system-wide, and its Presentation Medical Center in Rolla, N.D., was the first critical-access hospital in North Dakota to meet the EHR meaningful use criteria for processing its medical claims.

Alton explains that all of these investments - acquiring the long-term care facilities, facility renovations and technology upgrades - are in keeping with the system's overall mission. As a healthcare provider in a rural area, Alton says its mission meets a crucial need in the community.

"A number of our facilities are in rural areas," Alton explains. "What you find in rural America more often than not is a disproportionate share of the elderly and of the poor who fall under the poverty guidelines. I believe that in most, if not all, of the rural communities we serve - if we were not there, they would be without local healthcare services." +

-Jamie Morgan

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