

The Business Journal

of Tri-Cities Tennessee / Virginia

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The Domtar century

And why it's the next 100 years, not the last

Plus:
What Ron Ramsey did for business in Northeast Tennessee
and
Why CrestPoint closed



Domtar Kingsport Mill Manager Bill MacPherson accepts a proclamation from Kingsport Mayor John Clark.

Photo by Tara Hodges, Sweet Snaps Photography.

MAY 2016
\$3.00 Volume 28 Number 7



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Photo by Tara Hodges, Sweetsnaps Photopgraphy.



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When I had cancer...

I didn't choose to get breast cancer. But when it happened, I made a choice I have never regretted.

I chose to turn to our region's most comprehensive network of cancer physicians, who have more than 200 years of combined experience. I chose to stay right here at home and surround myself with strength from family, friends and my team of caregivers, including a nurse navigator who was by my side every step of the way.

The three main things that kept me going are my faith in the Lord, my family and my church family.

To everyone going through cancer: Keep up the fight.

It doesn't have to be a death sentence. Everybody's scared, so you have to be a fighter and figure out if you're going to make it through.

I've come full circle. As I got better and started feeling better, it was like God opened a door, and I started working for the Wellmont Cancer Institute. I love talking to the patients who are scared. I tell them, "Hey, I'm a survivor, too."

If I can spread one ounce of cheer and determination and enthusiasm to these patients, that's my goal. When patients come back and say, "Thank you," I know this is what I'm meant to do.

When I had cancer, I chose strength.

I chose the Wellmont Cancer Institute.



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Cancer Institute**

Strength for today. Hope for tomorrow.

Shirley Chappell, 3-year breast cancer survivor



An open letter regarding Kingsport's centennial



April 11, 2016

Dear potential partner,

It is our honor to support the Business Journal in its efforts to publish the Kingsport Centennial Special Edition in March 2017. This publication will be the *only 2017 official Kingsport100 magazine publication during the centennial year.*

The Business Journal has been supportive and responsive to Kingsport throughout its existence, and we are excited to have the opportunity to work with the dedicated staff to accomplish a unique centennial publication that will be told through the eyes of the business world.

We value the organizations that want to make their mark during Kingsport's centennial, and the Business Journal is stepping up to capture our last 100 years and peek into the next 100.

We encourage you to leave your legacy for the next 100 years by partnering with The Business Journal for this once-in-a-lifetime publication.

Sincerely,

A handwritten signature in blue ink that reads 'John Clark'.

John Clark
Mayor

A handwritten signature in blue ink that reads 'Dennis Phillips'.

Dennis Phillips
Former Mayor

A handwritten signature in blue ink that reads 'Jeff Fleming'.

Jeff Fleming
City Manager

A handwritten signature in blue ink that reads 'Jeff & CeeGee McCord'.

Jeff & CeeGee McCord
Centennial Co-Chairs



OneKingsport, One Journal, One Hundred



We're very honored here at *The Business Journal* to partner with the city of Kingsport, Tenn., to publish the city's official centennial publication. It's something I've been working toward since having a conversation with my old boss Ken Maness several months ago.

Ken, who gave me my first job out of college, selling radio advertising on what was then Oldies 104.9 WKOS, and whose bio I had the honor of writing for his induction into the Junior Achievement Business Hall of Fame, was talking with me about a Centennial publication Derby Publishing had produced for the Chamber of Commerce Serving Johnson City, Jonesborough and Washington County. It was a newsprint publication filled with historical information, much of

which pertained to the growth of the business community over the previous 100 years. In his accustomed casual, friendly manner, Ken mentioned that we might have a similar opportunity in 2017.

I've known Ken long enough to have seen him point out potentially large opportunities with seemingly small statements before. He's good at dropping the first bread crumb, then watching to see what happens next.

From there the project blossomed. Jeff Williams, our director of business development and marketing and I have met with city officials and members of the Kingsport Centennial Commission, and we believe we have planned a publication of which all Kingsport will be proud.

I want to stress that this is a partnership between the city of Kingsport and *The Business Journal*. That's important.

This isn't something we're just happening to do at the same time as the Kingsport centennial that led us to think, 'hey maybe there's an opportunity here to make a quick two bits.' This is an almost year-long project on which we'll be working alongside Kingsport's best and brightest, from business leaders to government officials to archivists and historians. We look forward to creating something truly special.

As Jeff Williams said, we are eager to partner with communities if the partnership benefits our business and the community. This project fits that bill perfectly.

Since 1988 *The Business Journal* has preached the gospel of doing business in a way that lifts both our individual communities and our region as a whole. We're grateful to our partners in Kingsport for this opportunity to show just what we mean.

Correction: In the April 2016 issue of *The Business Journal*, the article entitled "Alpha fighting UMWA in preparation for asset auction" included two incorrect facts. The amount of DIP financing was listed at \$300 million. The accurate figure is \$692 million. Also, the \$500 million stalking horse bid is a credit bid, not a cash bid. *The Journal* regrets any inconvenience this may have caused.

Business and the Law:

The Forecast? New Wage and Hour Regulations are Bad News for Employers

By Michael S. Lattier, Esq. Mr. Lattier practices labor and employment law with Hunter, Smith & Davis, LLP. The firm is observing its Centennial Year in 2016.

There's a massive storm developing in the Washington, D.C. area, and it's sure to envelop the entire country before the end of this year. No, I'm not talking about a weather pattern, but about the economic storm employers will experience caused by changes to the Fair Labor Standards Act (FLSA) regulations. The Department of Labor (DOL) is set to unleash a significant change to the overtime exemptions which will result in an estimated 5 million workers losing their "exempt" status. Although the DOL has been coy about the implementing date for the new regulations, it seems clear that the regulations will go into effect by year end at the latest.

What To Expect

As everyone is aware, almost all "non-exempt" employees are entitled to overtime at 1 ½ times their regular rate of pay for all hours worked over 40 in a workweek. A major exception to that requirement is when the employee qualifies as exempt from overtime. The law, since the FLSA was enacted in the 1930s, has been that an employee must meet three separate tests to qualify as exempt: (1) the duties test; (2) the salary test; and (3) the salary level test. The new regulations target the third test: the salary level test.

Since 2004, employees who receive a salary of no less than \$455 per week and \$23,660 per year, and who meet any of the duties tests, are considered exempt from overtime. The new regulations will more than double that amount by requiring employers to pay their employees a salary of no less than \$970 per week and \$50,440 per year in order to meet the salary level test for overtime exemption. These amounts are derived from the Bureau of Labor Statistics' annual surveys.

Also, for the first time ever, the new regulations provide for automatic annual increases. The increases will be based on either the Consumer Price Index or on BLS surveys. We will not know which standard will be used until the Final Regulations are published. However, what we do know is that exempt employees will receive government mandated raises every year.

Companies with employees who are currently exempt from overtime and who may be making less than \$50,440 annually must be reclassified to non-exempt status unless a decision is made to increase their salary to equal the minimum. You will also have to be prepared to provide that same employee a raise every year based at least on the government mandated increase. Without question, this change is going to cause a substantial burden on employers. It is important to begin making plans now to deal with these changes because the DOL has indicated that it will not provide much time between publication of Final Notice and mandatory implementation, perhaps as little as 30 days.

Strategies to Deal with the Changes

Given the expected short time frame between publication of the Final Regulations and the implementation deadline, it's best to start planning now. Small and large employers alike may experience the situation where several exempt employees will become non-exempt virtually overnight and become entitled to overtime pay as well. Some strategies for lessening the financial impact of this change follow.

First, it is important to know how many of your employees will be affected and what the financial impact will be if no changes are made in their normal work hours. For all the affected employees, you should carefully analyze the job requirements and hours worked for each position. Are these employees routinely working over 40 hours in a week? Is overtime essential for these employees or are there ways to reconfigure their job and other positions so that their hours can effectively be reduced to 40 per week? Once you have thoroughly analyzed the positions, you can consider various options.

If an exempt employee's salary is close to the new salary level, giving the employee a raise to match that level might be the easiest step to take. However, if it's not economically feasible to do so, the employee must be reclassified to non-exempt status. Bear in mind that once such a change is made, you will need to closely monitor that employee's hours to make sure that the employee does not work over 40 hours in a workweek or overtime will be owed. That means making sure that the employee does not work while on his meal break and does not use a smartphone, for example, to check work emails after hours. Be aware that this will likely be a difficult change for the affected employee as well as a hit to the employee's morale.

If the employee's work absolutely requires working more than 40 hours in a week, you always have the option of reducing his or her hourly wage to the point that the employee's regular pay plus overtime equates to the same wage the employee was making as a salaried worker. This could be seen as a demotion by the employee so carefully consider this option and plan for effective communication in advance.

Conclusion

The new wage regulations present difficult challenges and represent significant changes for many employers. Proper analysis, planning and monitoring of your workforce now is essential to meet those challenges.

The 26 men and women who practice law with Hunter, Smith & Davis, LLP (hsdlaw.com) serve businesses and other clients from the firm's offices in Kingsport and Johnson City. Specialization in most areas of legal practice, including labor and employment law, is not available in the state of Tennessee.

Lee County, Va. hospital talks progressing, 'entangled with merger'

By Jeff Keeling

May could be a critical month for long-running efforts to reopen Lee County, Va.'s hospital, which Wellmont Health System closed in September 2013. Those efforts, a source said, have become "entangled with" the proposed merger between Wellmont and Mountain States Health Alliance.

The source, who is close to the effort by the Lee County Hospital Authority (LCHA) told *The Business Journal* April 28 that deed restrictions left behind by Wellmont leave the system with a right of first refusal should one of its competitors desire to operate there. That fact has played into delays in the LCHA's efforts to work out an arrangement with Mountain States.

"Mountain States had been incredibly supportive of working with the Lee County Hospital Authority to figure out what could happen in terms of reopening a critical access hospital there, but all of that got put on hold until they filed their merger application and could begin conversations, because everyone recognizes they are still competitors," the source said.

The LCHA met April 26, its first meeting since Dec. 4, 2015. That came, the source said, following talks with Mountain States and Wellmont after the systems' mid-February filing for a cooperative agreement that would allow them to merge and remove the competitive barrier.

"Once the Virginia Cooperative Agreement application was filed, the Authority through its representatives began to actively discuss possibilities with Mountain States," the source said. "Those discussions are very active right now."

At its April 26 meeting, the LCHA selected a small committee to continue discussing possibilities with Mountain States. It also directed its counsel to prepare an application for a USDA loan to transfer its current debt obligations to Lee County related to purchase of the hospital from Wellmont.

The Authority also is prepared to complete an application for permission to operate a Critical Access hospital (fewer than 25 beds), but the source said that task could fall to Mountain States should talks with the system work out.

The LCHA meets again May 16, at which time it will decide whether to file the critical access application. It also requested placement on the agenda for the next Southwest Virginia

Health Authority (SHVA) board meeting May 25. The SHVA is currently studying the cooperative agreement application, as it is charged with the task of deeming the application "complete" enough, information-wise, to be then approved or denied by the Commonwealth.

The LCHA wanted to address the issue of access, which is one of five areas SHVA committees are considering as they review the application. "The Lee County folks will make a presentation to the Health Authority about the impact of the closure of the hospital," the source said.

While other potential operators have made overtures to the LCHA, the source said their preference is Mountain States.

Wellmont has a right to step in and operate the facility if the Lee County Hospital Authority identifies a partner that is essentially a competitor of Wellmont. "It's an uncomfortable fact, but it's a fact," said the source. "Wellmont will need to waive any arrangement with Mountain States or the Lee County Hospital Authority will need to have a partner that is not in the region."

Mountain States released the following statement regarding the issue: "Mountain States Health Alliance shares the Lee County Hospital Authority's desire to ensure residents of Lee County have access to essential health care services. We look forward to continuing to work with the hospital authority as they develop innovative solutions for meeting the county's health care needs."

Those needs were related at the April 26 LCHA meeting, the source said.

"During public comment ... the commissioners heard firsthand several stories of the critical need for a hospital in the county, including the recent passing of a town employee from a heart attack, with many people suggesting it might have had a different outcome if the hospital had been open.

"No one obviously could say for sure, but it certainly was an added burden to everyone that they had to travel so far. The public has requested that the Hospital Authority convene a meeting to hear stories of the impact of the closing of the hospital, simply to build a record of that impact."

The closure also caused the elimination of about 140 jobs.



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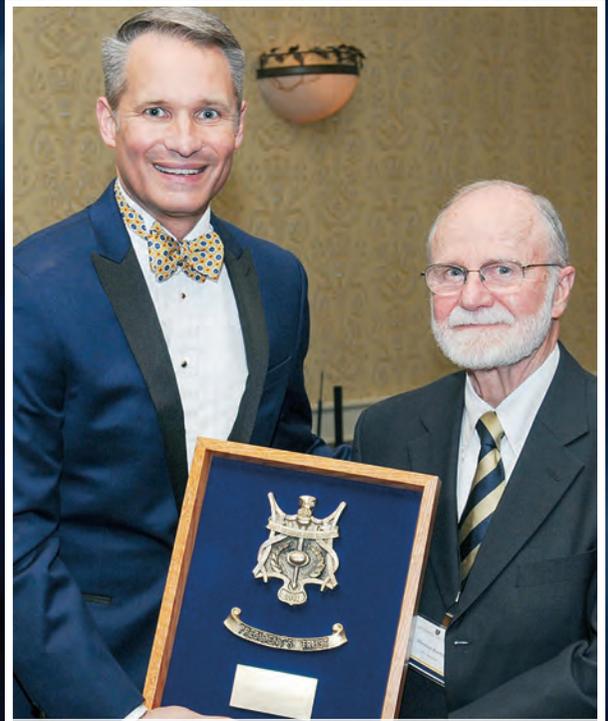
ETSU President's Trust

Some of the most loyal supporters of East Tennessee State University through the ETSU Foundation were recognized during the Distinguished President's Trust dinner held at MeadowView Conference, Resort and Convention Center April 22.

"Every student comes to East Tennessee State University with a dream," ETSU President Dr. Brian Noland told those in attendance. "Through your support, we are able to not only challenge students to dream big, but to help make those dreams come true."



Dorothy Grisham, Christopher Ekwuribe, Blessing Ekwuribe, Alex McCullough, Carshonda Harris, Art Grisham



Dr. Brian Noland and Dr. Tom Burton, who was recognized as a new member of the DPT at the \$10,000 level.



Dan Boner, director of Bluegrass, Old Time and Country Music Studies, and Ashleigh Griggs



Mary Ruth Baskett and Pat Van Zandt



Sandra Poe, Jim Wells, Janet Wells and Gary Poe



Dr. Mark Musick and Dr. Paul Stanton



Kathy Calhoun, Laurie Peery, Dr. Larry Calhoun, Mollie Allen, Dottie Gibson and Maribeth Miles



Tom Krieger, Jeff Blake and Dr. Noland



Tom Krieger, Albert and Dr. Linda Garceau, Dr. Noland



Tom Krieger, Rebecca Hite, Lt. General (Ret.) Ron Hite and Dr. Noland

Photos courtesy ETSU



Tom Krieger, Dr. David and Judith Johnson and Dr. Noland



Samantha Ayers, Dr. Noland, Jimmy Young, Donna Noland, Cory Dillard and Ashley Henry Photos Courtesy ETSU



Bill MacPherson, plant manager, receives a proclamation from Mayor John Clark in recognition of the plant's 100 years of operation in Kingsport. Photos by Tara Hodges, Sweet Snaps Photography

The Domtar Century

And why it's the next 100 years, not the last

By Scott Robertson

Domtar is celebrating 100 years of operation at its Kingsport paper mill in 2016. The year-long commemoration features monthly events designed to highlight the successful partnership between the company and the city in which it has thrived. Yet while the public is enjoying the celebration of a stable past – a celebration that to date has included the donation and planting of 100 trees by the company to the city and the full funding of five years of a \$5,000 scholarship - the company is working behind the scenes to completely reinvent itself.

To understand where Domtar is going, one must first know where it has been, and the centennial celebration presents just such an opportunity. The Kingsport mill was built and opened in 1916 as the Kingsport Pulp Company. For the next hundred years it milled paper, with occasional ownership changes. Mead, Willamette, Weyerhaeuser and Domtar have all operated the facility for periods. Willamette invested \$475 million to update the mill

in 2002, and Domtar acquired it in 2007. For all that time, the mill has made paper from wood pulp chips. For the better part of the century, that was all that needed to be said.

At some point, the owners realized they could create their own energy from the process, so the plant currently produces two products, paper and electricity. But energy is just the beginning of how the mill, like the company, is diversifying its outputs. Diversification isn't a luxury or a lark for paper companies, Bill MacPherson, Kingsport mill manager says. It's a necessity. "You can't sustain a 3 percent to 4 percent decline (which is the current norm in the paper business). You have to replace that." As the paperless society has continued to advance, companies like Domtar have had to shift their thinking in ways the founders of the Kingsport Pulp Company would never have been able to comprehend.

"We're so much more than just a paper company," says

MacPherson. “Here in Kingsport we think of ourselves as paper, but really, internally, we think of the organization as being about reinventing and innovating our way to new products.”

The key to monetizing that mindset is the fact that Domtar’s raw material, wood pulp, is capable of producing a far more diverse range of marketable chemical products than has previously been considered. From the obvious products such as specialty papers, to the more innovative offerings including absorbent material for diapers, to the sublime, including nanotechnology products with a myriad of uses, the application of biochemistry in new and creative ways is producing potential revenue streams to replace what the paper market is losing.

“We have the physical plant, the assets, and what we do that’s special and unique is that we gather enormous quantities of cellulose or wood fiber cost efficiently,” MacPherson says. “We process it in a biochemical way in a pulp mill and make pulp. But the side streams, the sugars, the liquors, the other things - you can make products out of those.

“We love paper,” MacPherson says. “It’s an outcome of what we do here every day. With the reality of the world, though, electronic substitution means our world is changing. So it’s important we stay ahead of that change, and we’re going to innovate our way there.”

It wasn’t that long ago that paper sales generated 90-95 percent of Domtar’s revenue. Today, that number is down to 64 percent (52 percent communication paper and 12 percent specialty paper), with pulp sales contributing 18 percent and personal care products bringing in almost one of every six dollars.

The personal care line is the growth engine for the company right now. Between adult incontinence products and baby diapers, Domtar shipped almost 4 billion units of product last year.

Domtar creates from wood pulp a product known as fluff pulp. That product is used as the absorbent material in diapers. Because of its scale and efficiencies in wood pulp the company can be very competitive in both the adult and baby diaper markets.

Earlier this year, the company idled its largest paper machine, the Ashdown 64 in Arkansas, and is now refitting that machine to create fluff pulp. Part of the paper production that had been happening at Ashdown will now be shifted to Kingsport, says Tom Howard, vice president, government affairs. “We still have to manufacture white paper. We have obligations to our customers across the footprint of North America, so we depend on the remaining paper machines at the remaining mills to meet those obligations.” That’s good news for the Model City operation because it will bring stability to a mill that would otherwise be more directly affected by the decline in the paper market.

In the longer term, MacPherson is looking for products that will allow the Kingsport Mill to create products beyond paper and electricity. “Kingsport is one of the last two or three thoroughbred paper machines with the technology and cost efficiencies to be a long-term survivor in the paper market,” he says. “But even in Kingsport, biomaterials like nanocrystalline cellulose (NCC), lignin and other things are opening the possibilities of bolt-on technologies that can bring in revenue streams.”

Lignin, the substance that acts as a bonding agent in wood, could well be one example of a biochemical product usable in



Roger Smith, paper machine department manager leads Congressman Phil Roe, Mayor John Clark and other dignitaries on a tour of the Kingsport mill.

SEE DOMTAR, 14

DOMTAR, CONTINUED

the creation of consumer goods. “Lignin is nature’s glue and it’s pretty strong,” he says. “It’s biodegradable, so when you see trash bags blown out of film made of lignin – bags that will dissolve in a landfill - that’s exciting stuff.”

Before MacPherson arrived in Kingsport, he was part of the team that built the world’s largest pre-commercial NCC production facility for Domtar. “Globally, there was about two pounds a day of this special NCC material made out of trees, out of fiber,” he says. “It has amazing properties that scientists are now starting to utilize. You’ve heard, ‘if you build it, they will come?’ Well, we built a plant to start making 1,000 pounds a day of this proprietary, fascinating substance.”

Howard says NCC is already moving to market. “Schlumberger (pronounced Schlum-ber-zhay’) Technologies is using it as a drilling fluid additive. They’re an equivalent of Halliburton in terms of providing services and equipment to the drilling industry. That is just one market we have identified. Other markets are on the horizon and we’re working to develop those markets as fast as we can.”

The final piece of the diversification puzzle is the human element. A diversified company needs biochemists and engineers that a paper company didn’t. “Being located in Kingsport allows us to attract talent,” MacPherson says. “We have physical plant equipment, but our competitors at other mills have largely the same equipment. What will differentiate us is our workforce. We want to attract people who already have good jobs. If we’re going



Domtar’s Bill MacPherson, Roger Smith and Tom Howard announce the donation of \$25,000 toward the Santa Train Scholarship at a Kingsport Chamber breakfast April 22.

to succeed, we are going to have to outcompete in the talent end of the business.”

So you’ll forgive MacPherson if he seems a bit distracted at the rest of this year’s centennial celebration events. He’s already thinking ahead. “We’re talking about our first 100 years,” MacPherson says, “but we’re really looking forward to the next 100 years.” ■

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Despite growth, soon-to-close CrestPoint Health was losing millions per year

By Jeff Keeling

Despite strong growth in premium revenues, Mountain States Health Alliance's foray into offering its own Medicare advantage insurance plan, CrestPoint Health, was far from profitable, MSHA Senior Vice President Tony Keck said after CrestPoint's pending wind-down was announced.

"We were losing money, which is not unusual for a startup plan in insurance in any business," Keck said April 15. "That's why, for instance, the federal government was giving the co-ops \$100 million to start up an insurance plan – but you can see where a lot of those co-ops have ended up going bankrupt."

MSHA decision to cease offering CrestPoint will affect more than 6,000 Medicare advantage customers. Those customers, who have received letters from MSHA, have until June 1 to find another Medicare advantage plan.

CrestPoint also serves as the third party administrator for more than 13,000 MSHA employees and dependents (MSHA is self-insured). Those services will transition to Blue Cross Blue Shield effective July 1.

Around 50 people work at jobs related to CrestPoint, though all but about 10 of those have other duties involving different MSHA service lines, Keck said.

MSHA unveiled CrestPoint about four years ago, at a time when the health system's previous administration saw potential advantages to entering the insurance market. But state filings show CrestPoint lost around \$8 million in each of the years 2013 and 2015, and about \$4.8 million in 2014.

The losses came despite premium revenues rising from about \$1 million in the fiscal year ending June 30, 2013, to \$10 million the next fiscal year and more than \$30 million in the most recent fiscal year. Keck said assessments prior to the implementation of the Affordable Care Act (ACA) that "MA" product lines could become profitable for hospital systems, "relied on a whole set of assumptions that I think eventually didn't play out."

Keck said a health system comparable

to MSHA recently vetted starting an MA plan and reckoned, "they were going to need half a million (covered) lives and it would take two to three years to generate a profit."

The disruption to current customers and impact on CrestPoint employees were weighed against not just the bottom line numbers, Keck said, but with an eye toward overall mission.

"We have other lines of business that

compete in the insurance segment, Keck said he couldn't speculate – at least not on how Virginia and Tennessee would view the issue. He said the analysis of CrestPoint and decision to end it came independent of the merger considerations.

"There's a couple of insurance companies that have voiced concern – Anthem being one of them – that the merging entities also had an insurance product," Keck said. "But the

reason we vetted this when I came on board was related to, 'can this be a viable business for Mountain States?'"

CEO Alan Levine wrote to MSHA employees April 13 that "the stakeholders in our region" care most about MSHA providing well-capitalized hospitals; investing in physician recruitment and retention; investing in technology that improves care; and "ensuring access to services where we alone add value."

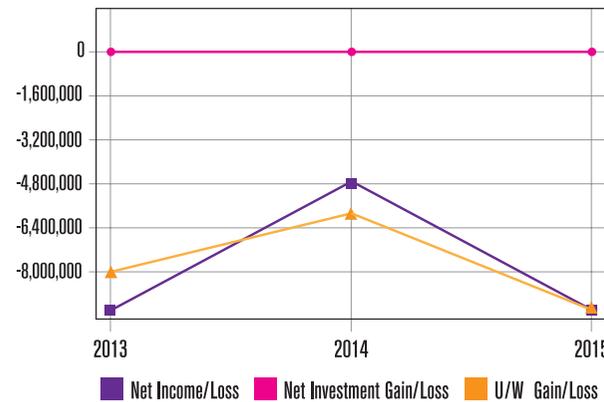
"Where other well-capitalized companies are already in the insurance market, it is therefore difficult to justify the ongoing major investment required to continue in that space..." the letter continued.

The wind-down will last several months. Employees whose jobs are being eliminated will have the option of an additional three months of full salary and benefits if they seek other options within MSHA through its career resource center.

Levine's April 13 letter also referenced a desire to build "greater alignment with physicians" as reimbursement models move toward paying for value and not just volume. Some independent physicians' groups also have expressed concern about potential merger effects.

"Alan has spent a lot of time reaching out to folks, emphasizing two things," Keck said. "One, we need each other; and two, you're great at what you do and we're great at what we do, so let's work together. Our interest is not in owning everything and running everything." 

Three-Year Income/Loss Trend



Profile Report Source: NAIC Financial Data Repository

This graph from the National Association of Insurance Commissioners shows CrestPoint suffered multimillion annual underwriting (yellow line) and net revenue (purple line) losses.

lose money, such as a number of our rural hospitals," said Keck, whose duties include overseeing CrestPoint. "So the decision criteria isn't purely, 'are we losing money on this service line?' it's 'what role do we have in the market?' It's pretty clear that nobody else in the market is going to be able to run rural hospitals like us, for example, but there's a number of very good organizations that run MA plans."

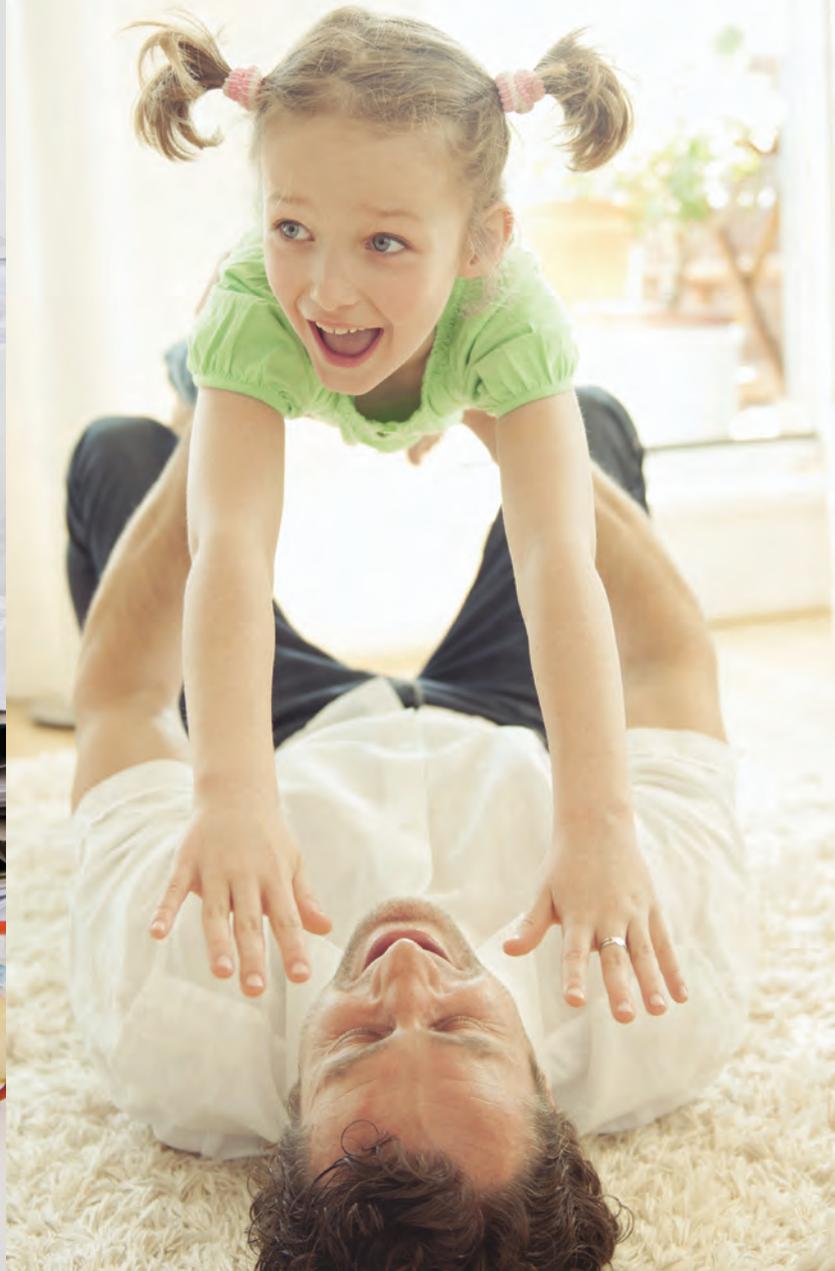
Merger-related?

Asked whether MSHA's leadership considered, in light of its pending request for approval to merge with Wellmont Health System, the insurance industry's likely preference that hospital systems not

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The Business Journal Q&A

Ron Ramsey comes home

By Scott Robertson

The tweet Lt. Gov. Ron Ramsey sent Friday, April 22 read simply, “The @tnsenate of the 109th General Assembly has adjourned sine die.” The Latin term at the end means there is no date set for resumption – the business of the session is finished.

With the close of the session, and Ramsey’s prior announcement he would not seek re-election after 20 years in the state senate (plus two terms in the state house), so too ended Ramsey’s business on the senate floor.

During his time in leadership, the business climate in Tennessee has improved markedly. That fact is due, at least in part, to the



business-friendly legislative agenda for which Ramsey was responsible.

Ramsey started the morning of Monday, April 25, his first day back in his Blountville office, with *The Business Journal*. What follow are excerpts from that conversation. The full transcript is available at bjournal.com.

The Business Journal: Let's set the stage a bit. Business owners today know what it's like to do business here, but what were the key business issues you were being asked to work on when you first started in the house in 1993?

Ron Ramsey: Well at that time there was a Democrat majority in the state senate and in the state house. Let's be honest, in the great scheme of things we had pretty pro-business democrats at that time with Ned McWherter as governor, Jimmy Naifeh as speaker of the house and John Wilder as speaker of the senate. Yet every year the businesspeople still had to fight on issues like the statewide minimum wage. Every year you had to battle to stay a right-to-work state.

The biggest thing you realize when governors come and go is how important the people they pick to run their departments are. We did not have pro-business commissioners at that time. So no matter how pro-business the governor wanted to be, those roadblocks were in place.

BJ: So when Governor Haslam's term began, things were changing on Capitol Hill as well. What did you do to help the state government become more business friendly?

RR: Well, first I stressed to Governor Haslam how important it was to appoint the right commissioners to the departments, especially back again to the Tennessee Department of Environment and Conservation. The TDEC was notorious for asking for A, B and C to get a permit done for some business, then when the business did those things, TDEC would add D, E and F to their requirements just to keep you from being able to do business.

After that I was able to say to the governor, 'finally we have a Republican house, a Republican senate and a Republican governor. We can start playing offense

now. We can start addressing some things like Workers Comp.' That was an area where we weren't competitive nationwide.

We had, depending on the rating, double what other states had at that time, mostly because there wasn't an arbitration system. If you had a workers comp case, you immediately went to court. It was crazy.

I took what I called a "red tape tour" back in 2008 or 2009 and one of the things I heard a lot about was the unemployment compensation program we had in Tennessee and how out of control it was. Business owners were hearing from potential employees things like, "call me in 15 weeks when my unemployment runs out."

We reformed workers comp so we now have the most sound workers comp pool in the nation. We do things now like requiring people to actually be looking for work – what a novel idea. When we started, we found out you could be in prison and still draw unemployment compensation checks. We reformed all those things.

We did tort reform. I remember when I became speaker in 2011. One of the lobbyists for those business issues came to me one time and said, "We're going to have a big grassroots campaign on tort reform so we could get this passed." I looked him straight in the eye and said, "Tort reform passed on Jan. 12." This was in March. He asked what I meant. I had appointed the committees in January and I had five votes in Judiciary to make sure we got tort reform. The rest is history.

BJ: You've been talking a lot about working with governors, and as politicians go, you like to be a relatively humble fellow, but there have been some things that you've been able to accomplish because you had the role of speaker. It hasn't been just setting the committees. You've been able to accomplish things from that chair that you wouldn't have been able to as simply a state senator.

RR: Well, we changed the whole complexion of the state senate. When I came in the Democrats had a 22-15 majority. Now we have a 28-5 Republican majority, almost the most highly Republican state senate in the nation. But if you're going to do that, you have to have results.

And you're right, I'm not comfort-

able talking about myself a lot, but to be perfectly honest, the people of Northeast Tennessee are going to miss me being lieutenant governor. Of course, they would miss anybody from Northeast Tennessee who had been lieutenant governor, because you're not going to have some of the little things – and some of the big things – on a day-to-day basis. From little things like being able to make one phone call and having problems fixed to bigger things like passing a piece of legislation that allows the Pinnacle in Bristol to grow and flourish, and hopefully the Crossings too, down here at the intersection of the interstates. Those things would not have happened, period, if it had not been for a piece of legislation I passed.

I remember when Eastman was going through their big decision about their corporate headquarters. They asked the state for incentives and I remember Charlie Poe who lobbies for Eastman saying they'd gotten a proposal from the state and them saying, 'That's not good enough.' The state would tell him, 'That's the best we can do.' So Charlie would say, 'Well, we'll call Ron Ramsey and see what we can get done,' and the state would say, 'No-no-no, wait a minute. We'll see if we can't come up with something else.' That happened, like, three times until they finally got what they wanted. People don't understand that the biggest industrial recruitment package in the history of the state of Tennessee was done for Eastman. You might think of Volkswagen or some of these others, but it was Eastman.

There was hardly a week went by that I didn't get a call from a county mayor or a Clay Walker telling me what they needed, and I'd be able to help. I could pick up a phone and make things happen. That is going to be something the people of Northeast Tennessee will miss, no doubt about that.

BJ: Are there –

RR: Before we go any farther, and you may be about to ask about this, I want to just bring up one thing where I think we did the best work, and that's in education. You can talk to employers all day long and yes, tort reform is big and unemployment

SEE RAMSEY, 20



Ramsey's retirement as lieutenant governor leaves more time for relaxing on the front porch swing.

Photo by Tara Hodges, Sweet Snaps Photography

RAMSEY, CONTINUED

compensation is big, but if you don't have a trained workforce, then you don't have anything.

To say we have moved the ball is an understatement. We are leading the nation right now in test score improvements in K-12 education. We have done that four years in a row now. The best day of my political career, and I mean this, I was driving down Highway 75 past Tri-Cities Christian School, when the governor called and said our National Assessment of Education Progress (NAEP) scores were in. When you heard we were 40-somethingth in the nation in education, you were hearing those NAEP scores.

When he told me we were not only the fastest growing state in the nation during that two-year test group, but we were the fastest growing in the history of the test, I literally got a tear in my eye. We were making a difference. Now the NAEP scores are out again, and we did the same thing. We have gone from 47th or 48th in the nation to 24th in the nation in five years.

We began promoting the two-year colleges. We put in place the Tennessee Promise, which makes us the only state in the nation that you can come out of high school and go straight to two-year school for free. That's working.

The governing boards that we've set up this year to help the four-year schools I think will make a big difference. Those boards will help schools like ETSU and MTSU determine what's best for their own areas.

BJ: Many people, including me, are surprised you didn't want to remove the word 'lieutenant' from in front of the word 'governor' in your title.

RR: No. I tried that one time. I had fun running for governor. People don't realize how much money influences that. I love the governor and we couldn't get along better, but obviously he had a little more money than I did when we ran against each other last time. I raised about \$3 million and he spent about \$18 million. You just can't do that. And I don't want to do that any more. If you handed it to me on a platter, I'd say, 'no, I'm kinda done.' I'm not running for anything else.

BJ: You mentioned the individual university boards for the former Tennessee Board of Regents schools. It's been speculated in print that you might want to chair the ETSU board. Any truth to that?

RR: I wouldn't want to be chair. I wouldn't mind serving on it at some point. I think I would be interested in that, but I don't guess I can until I get out of office. That's another place where we've been able to do some things over the last few years with the performing arts center – I helped get money for that and got that moved up to the top of the list. I got some money for the football

SEE RAMSEY, 22



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FEATURES

RAMSEY, CONTINUED

stadium.

So obviously, I do love ETSU. Would I be willing to serve on that board sometime? Yes. But I don't go out of office as senator till Nov. 8, election day, and the speaker is a two-year term, so I don't go out of office there till Jan. 10. Those boards will be appointed by then and I assume that as an elected official I won't be able to serve. So yes, I want to help them moving forward someday, but no, I don't want to chair it. I don't want that much responsibility.

BJ: What would you like to see from the legislature for Northeast Tennessee in the future? Many folks are scared that Knoxville will become the eastern border of Tennessee again in the eyes of the state government.

RR: I hope that's not the case, but it will be a long time, if ever, before anyone else works their way up to lieutenant governor from Northeast Tennessee again. I just hope I can still use my influence with the friendships I have there, and that whoever takes my seat – and I'm staying out of that race – will be able to work with the other state senators and state representatives to make sure Nashville knows that East Tennessee doesn't stop at Knoxville. As long I'm living and have a relationship with the people in the legislature, I'll still be able to help some (pauses), but it won't be the same. 



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Alice doesn't work here anymore

Former Wellmont CFO grants The Business Journal an exit interview

By Jeff Keeling

With institutional knowledge as important as ever given the changes swirling around Wellmont Health System, leaders at Wellmont no longer have a long-solid option when financial questions arise: Go ask Alice.

Alice Pope left the system after 16 years to become CFO at HonorHealth, a Scottsdale, Ariz.-based not-for-profit hospital system. Her last day at Wellmont, where she had been CFO since 2012, was April 22. Pope had been tapped to become CFO of a merged Wellmont and Mountain States Health Alliance (MSHA) – temporarily dubbed “Newco” – in the event that merger is approved.

In an interview with *The Business Journal*, Pope discussed her career, her decision to leave Wellmont, and her thoughts on changes in health care and how they have impacted the budgeting and financial side of operating health care systems.

The nurse and the accountant

When Pope was promoted to CFO of Holston Valley Medical Center in 2003, she brought a 41-year-old newspaper clipping with her as she introduced herself to the hospital's leadership team. It included an item about Betty Hensley, a nurse at the hospital, then called Holston Valley Community Hospital.

“I wanted them to know that my mother was a nurse, and I have the utmost respect for nurses and clinicians,” Pope said, noting the moment provided one of her favorite Wellmont memories. “I had that newspaper clipping that said Holston Valley Community Hospital and it was from 1962. I think I've always kind of stayed in touch with that.”

But young Alice Hensley figured out pretty quickly growing up in Yorktown, Va., that she didn't want to be a nurse herself. Her father Howard's job looked better – he was an accountant.

“I saw my dad working Monday through Friday and I saw my mother working shift work, and working nights and weekends, and I said ‘I don't want to do that. I want to do that Monday through Friday gig. That looks a lot better.’”

Fast forward a few years, and Pope had followed through on her goal. After



Alice Pope

catching on with Arthur Andersen in Atlanta, marrying, and having two girls, she was in Memphis. She had risen to a senior manager position, but roughly half her work involved travel, primarily to Mississippi and Arkansas. The other half, she was in Memphis, and part of that work involved Baptist Memorial, a large health care system. She had the Monday through Friday. She was ready for Monday through Friday with no travel, and she got it when she went to work for Baptist in 1997.

Three years in financial reporting, general ledger, payroll and the like began

familiarizing Pope with health care financial administration. Then the Popes decided to move back to her then-husband's home base of the Tri-Cities, which is also where both her parents had grown up. Howard Hensley had moved back to the area as well. Wellmont had recently added Hawkins County Memorial Hospital to its fold, and some structural changes created an opening for a new position, system director of finance.

The Wellmont years

The system director of finance stint lasted three years. While it didn't involve her favorite kind of work, Pope said the budgeting, cost reporting and data analytics – with a specific health care focus – helped fill in knowledge gaps specific to health care. “Now nothing really gets by me because I have that detailed financial knowledge,” she said.

Next came the promotion to her first CFO role, at Holston Valley. That five-year stint strengthened Pope's skills at managing an income statement as she sought ways to improve revenue and reduce expenses. Other important system-related CFO skills, such as focusing on debt, treasuries and capital, would wait – but not for long. Pope was promoted in 2009 to corporate treasurer, where she added to that systemwide experience.

In 2010, with healthcare reform really hitting its stride, Pope filled in the last important puzzle piece at a time when even veteran CFOs were facing new horizons in the same segment of the job. She became a senior vice president over revenue cycle and managed care.

“That's when I got all the experience with insurance companies, negotiating managed care contracts and so forth,” Pope said of the role that lasted until she was tapped to become CFO in August 2012.

She'd also been getting experience with multiple leadership styles at the

Alice Pope CV

College: Bachelor's Degree in Accounting,
U Va-Charlottesville, 1988

Public Accounting, Arthur Andersen,
Atlanta/Memphis, 1988-1997

Corporate Control Baptist Memorial Health
Care, Memphis, 1997-2000

The Wellmont Years

System Director of Finance, 2000-2003

CFO, Holston Valley Medical Center,
2003-2008

VP, Corporate Treasurer, 2009-2010

Senior VP, Revenue Cycle and
Managed Care, 2010-2012

CFO, 2012-April 22, 2016

top, as she was working for her fourth CEO (Denny DeNarvaez) by this point. Wellmont's first-ever CEO, Eddie George, had been there when she arrived, and been succeeded by Dr. Richard Salluzzo, Mike Snow and then DeNarvaez. The frequent changes (mirrored by CFO changes) have brought their share of stress on employees, Pope said.

"When you do get a new CEO, if we're being honest, they do change out seats on the bus and that has a ripple effect through the organization," she said.

CFO rising? Reform elevates the position

The four years Pope served as CFO at Wellmont brought plenty of local news, from Wellmont's roller coaster strategic options process and DeNarvaez's sudden departure to Alan Levine's arrival as MSHA's second-ever CEO and the merger announcement. Plenty of change was also occurring in the way CFOs act and are viewed in the executive suite, Pope said, as the effects of the Affordable Care Act (ACA) took hold and accelerated.

"I think that the CFO is now viewed as much more of a strategic partner to the executive team, as opposed to just making sure the financials were correct and we were getting paid appropriately and we were maximizing our financial performance," Pope said.

That stems from changes in reimbursement models – away from fee-for-service or "paying for volume" as Pope said to paying for outcomes – and the steady transition away from inpatient care. In fiscal 2011, Wellmont had 42,070 acute

discharges from its hospitals. By fiscal 2015, that number had fallen by 21 percent, to 33,045. During the same period, inpatient surgeries had declined 9 percent, while physician visits had increased by 53 percent from 310,578 to 474,762.

Pope said CFOs help leadership understand opportunities for growth at a time when, "everything is all meshed together now, so quality intersects with reimbursement, reimbursement intersects with strategy and they all intersect with service lines."

The major changes are also roiling the health care landscape and, as evidenced by the local situation, heightening merger and acquisition activity. That change, too, magnifies the importance of the CFO.

"The CFO, fortunately, is now viewed just as much as a key to strategy and just as much an important part of the executive team. It makes it a lot more challenging, but it makes it a lot more rewarding."

Pope said the ACA, politically charged as it is, addressed what she sees as one fact: "I think we can all agree that we're spending too much on health care in the United States. So what it did was at least create a table to have a conversation about what we need to do to spend less and have higher quality."

Pope turns 50 in June, and expects to see plenty of additional change over the next decade-plus before closing out her career.

"That is pretty exciting, to actually see what happens over the next 10 years. A lot of it might depend on who's elected president and what changes are made. That is the interesting part about our industry, is so much of it is determined by the federal and state government."

Speaking of the government, Pope said a major challenge for Wellmont and Mountain States has been Medicaid expansion, or in the case of Tennessee and Virginia, the lack of it. "I don't think that the Supreme Court really did anybody any favors by saying that each state can determine whether they get to expand Medicaid or not," Pope said.

"Putting aside your political views on Medicaid and your political views on expansion, our piece of the pie in Tennessee will get smaller. If you look at it from just a pure financial standpoint, Tennesseans are paying more taxes and those taxes are going to the federal government, and then that money is getting reallocated to states that did expand Medicaid.

"I think there is a way that Tennessee can do Insure Tennessee and kind of maintain some sort

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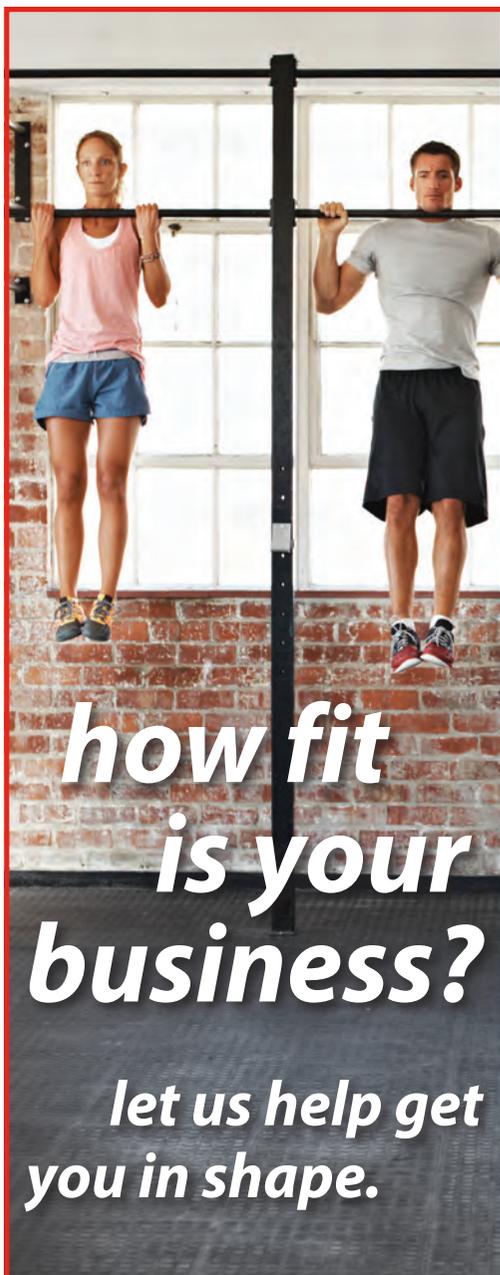


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POPE, CONTINUED

of equilibrium with these other states.”

Were that to occur, she said, it would help with physician recruitment as well as bottom line financials.

Getting from point A to point B

The move from paying for volume is the right one, Pope believes. Getting to the other side successfully will mean a healthier population and a lower portion of GDP going toward health care. Keys to success, she said, include an accountable health care delivery and payment system, smart use of technology, and greater consumer engagement.

Pope said health care is “barely beginning to scratch the surface” of what electronic health records can achieve. If all providers are on a shared platform, the quality and cost problems created by duplication and repetitive testing can be greatly reduced, if not eliminated.

“When a patient presents at the ER, the physician today knows what the patient tells them and what the tests right there show,” Pope said. “But if that physician had access to a patient’s complete history and could glance through it and see it, just think about the savings that could be had as well as the significant improvement in quality. So I think we’re going to see exponential change and growth in the whole technology area as far as medical records and sharing of information. That’s going to lead to a whole bunch of other issues as far as privacy – it’s going to create a whole other conversation that will be very interesting to see how that all unfolds, too.”

With care predominately funded by taxpayer dollars, Pope said accountability is owed to both taxpayers and patients. Paying for volume (fee-for-service) doesn’t drive things in that direction.

“I think that the reimbursement model of the future is, you’re going to be paid for outcomes. The health care delivery system needs to be accountable for quality, for patient satisfaction and for outcomes.”

If that effort is combined with methods to get consumers more aware of their own personal financial responsibility in the cost of their care, “that could lead to individuals taking better care of themselves physically.”

From Scottsdale with love – really: Thoughts on the local scene

Pope’s role in this sea change won’t

happen here. Instead of sticking around for the potential merger of Wellmont and MSHA into a new company for which she had been guaranteed the CFO slot, Pope is heading to a system that was created through a merger three years ago. HonorHealth does about twice the revenues of Wellmont. There is still plenty of hard work ahead, even three years in, Pope said. Though she’s bullish on the Wellmont-MSHA merger, she said after 16 years here, and with one daughter and her only sister in Los Angeles, “it was kind of either now, or most likely finish out my career here, and you know, I really just wanted to go on an adventure.”

“What’s appealing to me about it is that there’s still a tremendous amount of opportunity. Three years after a merger, there’s still a whole bunch of work to be done. Acquisitions are easy. Mergers are challenging.”

Someone else will have to address those challenges from the CFO’s seat should the systems gain approval for a Certificate of Public Advantage in Tennessee and a Cooperative Agreement in Virginia. Pope, who lived through the duplication of services brought on by the MSHA-Wellmont arms race, said elimination of duplication is just one of the merger’s appealing aspects. Another, she said, was summed up best by Dr. Randy Wykoff, the dean of East Tennessee State University’s College of Public Health.

“Anybody who paid attention to what Dr. Wykoff said, it’s clear that health status is based on education and employment and economic opportunities. One of the great things about this merger is that some of the savings can be reinvested in health education, and some of the savings can be then reinvested in expansion, which creates economic opportunity and more jobs. The challenge for this area is that we need more jobs.”

This daughter of a nurse, who said she’ll miss some girlfriends here but maintains a very close relationship with her own daughters, hopes some of the benefits of a local merger find their way to health system employees. A nurse, for instance, doesn’t have to travel far to find significantly higher pay. The Medicare wage index is partly to blame, she said, but reinvesting savings from efficiencies could chip away at those disparities.

“At a macro level, I just wish there was more money for our employees. It’s very challenging.” ■

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Home selling at brisk pace despite tighter inventory

Northeast Tennessee home sales have eased off their monthly double-digit sales pace but are still charting new benchmarks. A tighter inventory is the culprit for March's softer sales; however, there was little upward pressure on the average sales price that typically accompanies tighter inventories.

Northeast Tennessee Association of Realtors Marsha Stowell said March's year-over-year sales were the best in eight years, but the gain was 7.8 percent compared to 28.5 percent in January and 11.9 percent in February. At the same time, first quarter sales were the best since 2008.

NETAR's Trends Report lists 427 March closings, 31 more than March last year. Clos-

ings for the first three months of the year total 1,108 compared to 970 during the same period last year.

March's average sales price for a single-family home was \$144,320, down \$11,111 from last year. The better price trend indicator is the average quarterly price of \$148,130. It's 0.7 percent higher than the first quarter of last year and \$16 lower than it was in 2008.

Stowell said new listings are coming on the market as the peak season approaches, but it's still tighter than last year. The overall inventory in March was eight percent lower than last year. Listings in the \$200,000 to \$400,000 price range were 13 percent lower.

HOME SALES



- 10 EXISTING HOMES

March 2016 Home Sales

February 2016 Home Sales

March 2015 Home Sales

TRI-CITIES



427 / Average Price \$144,320



347 / Average Price \$154,889



396 / Average Price \$155,331

WASHINGTON COUNTY, TN



105 / Average Price \$181,089



92 / Average Price \$227,682



100 / Average Price \$200,554

SULLIVAN COUNTY



124 / Average Price \$135,581



94 / Average Price \$137,804



117 / Average Price \$150,915

CARTER COUNTY



43 / Average Price \$128,347



23 / Average Price \$115,304



32 / Average Price \$109,822

GREENE COUNTY



48 / Average Price \$140,517



41 / Average Price \$137,379



40 / Average Price \$150,447

WASHINGTON COUNTY, VA



21 / Average Price \$192,557



27 / Average Price \$130,531



35 / Average Price \$156,266

NOTE: NETAR counts city sales as those made in a city's high school zone. City data is included in county totals.



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INNOVATION AWARD: To a provider whose inventive thinking furthered the delivery of care.

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COMMUNITY SERVICE AWARD: To an individual or organization for excellence in public health.

MERITORIOUS SERVICE AWARD: To an individual who has shown excellence in administration.

SUPPORT SERVICE AWARD: To a provider for outstanding assistance in the field of health care.

Nominations are judged based on the impact nominees make on the community, the difficulty of their accomplishment, innovation of their work, their leadership qualities and the quality of the nominee's documentation. The 2016 Health Care Heroes Luncheon will be held July 15th at the Carnegie Hotel in Johnson City.



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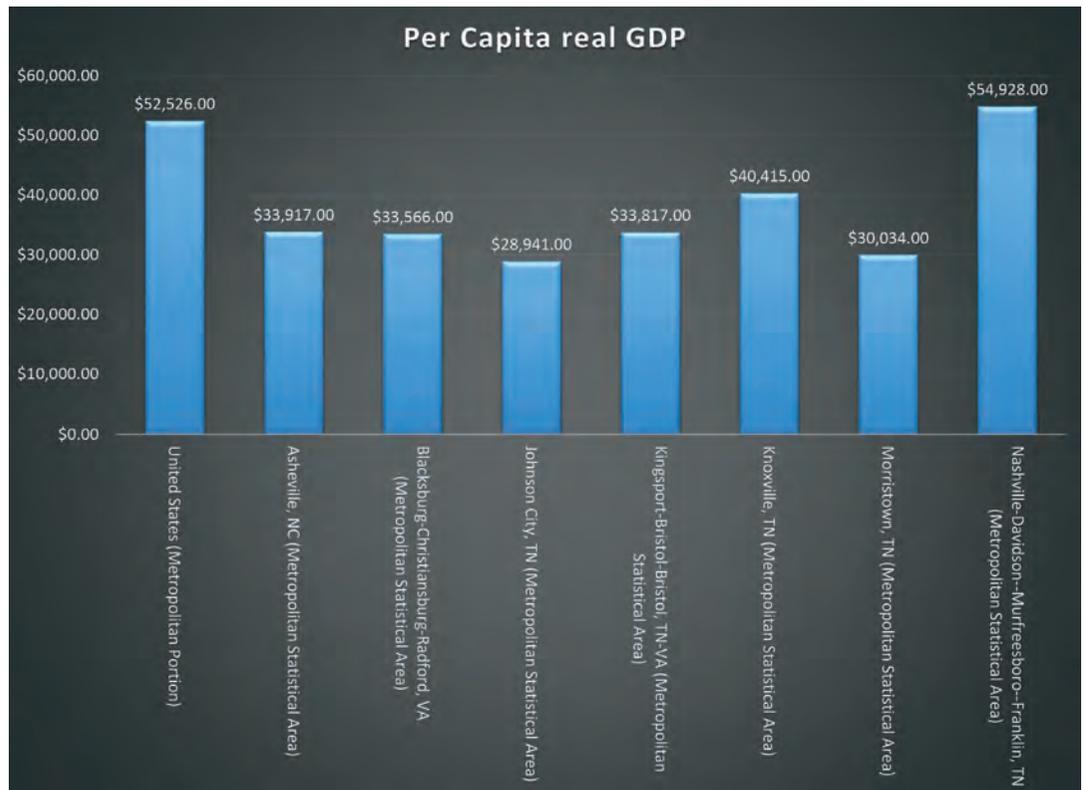
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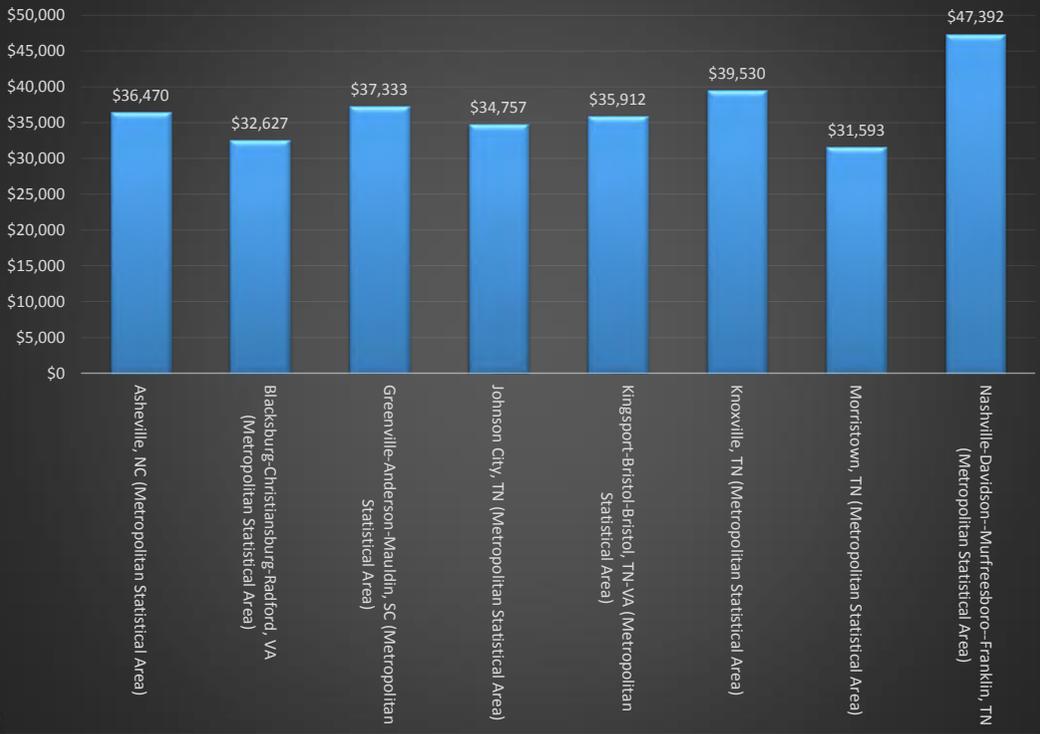
MARKET FACTS

Defining the Tri-Cities economy:

Three key measures



Per Capita Personal Income



The three graphs shown here are part of the presentation made by Dr. Jon Smith of East Tennessee State University to the Washington County Economic Development Council April 21.

The Tri-Cities is shown split into its two component metropolitan statistical areas or MSAs. The Office of Management and Budget does not recognize the Tri-Cities as one MSA.

Smith also included data from other communities with which the Tri-Cities is often compared for economic development purposes, including Asheville, N.C.; Blacksburg, Va.; Greenville, S.C.; and Knoxville, Nashville and Morristown, Tenn.

The GDP and income figures, Smith said, combine with other data to show the region has yet to fully recover from the great recession.



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DEPARTMENTS

ON THE MOVE

Gary Keys and **Shaunda Blackwell** have joined New Peoples Bank.

Keys has joined NPB as a senior vice president and senior business development officer. With more than 30 years of banking experience in various roles throughout the Tri-Cities market, Keys will be responsible for growing commercial banking relationships in that same market area.

"We are excited to have Mr. Keys join New Peoples Bank," said J.W. Kiser, first senior vice president and senior commercial banking officer. "His three-plus decades of banking experience in the Tri-Cities will greatly assist us in growing the customer base and provide additional leadership to the commercial lending team."

Blackwell has joined NPB as vice president and commercial lender. Blackwell will be responsible for growing the commercial banking relationships in the Kingsport and Johnson City markets.

Blackwell, who brings 11 years of commercial banking experience to New Peoples Bank, is a graduate of Agnes Scott College in Decatur, Ga. and holds an MBA from East Tennessee State University. She is a two-time president of the Kingsport Downtown Rotary Club and attends Covenant Presbyterian Church in Johnson City.



Gary Keys



Shaunda Blackwell

Mitch Cox Companies, a real estate solutions company, recently announced the addition of **Cody Leihgeber** as director of marketing and **Sandy Thomas** as receptionist and assistant community association manager. Leihgeber, a graduate of Carson-Newman University with a Bachelor of Arts in Graphic Design, Photography, and French (Magna Cum Laude), has an extensive background in marketing and digital media. Leihgeber is currently pursuing a Master of Science in Digital Marketing degree at East Tennessee State University.

Thomas comes to Mitch Cox Companies with several years of experience as an administrative assistant.

Microporous, a leading developer and manufacturer of separators for lead acid batteries, has hired **Arnie Gillert** as director of sales, Americas.

Gillert brings more than 16 years of customer-facing experience, both as a direct seller and in sales management.

He will be responsible for leading the organization from the customer's perspective while developing and executing



Cody Leihgeber



Sandy Thomas



Arnie Gillert

sales and marketing plans that will lead to profitable growth, customer satisfaction and energetic employees.

Gillert says he will work to continue to expand sales in new and existing markets. "My goals are to grow the business in North and South America, attract new customers, gain share with current customers and execute plans to expand into other markets."

Company President Jean-Luc Koch says Gillert's hiring is in line with the management team Microporous has built since re-establishing its status as an independent company two years ago.

Gillert will join the team at the company's headquarters in Piney Flats, Tenn. For more information, visit microporous.net.

Tianna Storey has been named the director of catering and outside sales for East Coast Wings & Grill Restaurant's Tri-Cities franchise locations in Kingsport and Johnson City, Tenn.

Storey is a graduate of Lander University with a Bachelor's degree in Physical Education. She began her career as a Physical Education teacher, where she was responsible for building healthy living foundations, promoting active lifestyles and working with health-risk students to improve fitness levels.

Storey most recently served as the regional catering sales manager for Panera Bread, managing customer interaction, sales, deliveries and order coordination across multiple locations.

Storey is a PEAK member serving on the Barking Lot and Social committees. 



Tianna Storey

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AWARDS & ACHIEVEMENTS

Teresa Treadway to assume role as American Advertising Federation's District 7 Governor

Teresa Treadway has been sworn in as the Governor of the five-state District 7 of the American Advertising Federation. She will assume the role officially on July 1. The veteran advertising executive is vice president of media and operations at Creative Energy and is the agency's co-owner.

The American Advertising Federation (AAF) provides national leadership on issues involving and affecting advertising so as to advance and protect the industry. The AAF's District 7 includes advertising firms in Tennessee, Louisiana, Mississippi, Alabama and Georgia.

Treadway, who represents her firm's membership through the Northeast Tennessee Chapter, is the first from Northeast Tennessee to earn a governorship of District 7 in nearly 40 years.

"Our agency has been a very active member of the local chapter and District 7 since we formed Creative Energy in 1992," Treadway said. "We have helped many from our area become true advertising professionals through AAF activities. I'm honored to serve as governor and look forward to helping chapters across our five-state region grow and advance the quality and significance of advertising across America."

Treadway has served in various leadership roles within the Northeast Tennessee Chapter and District 7, including president of the local chapter. She is the first to be elected governor from



Teresa Treadway, right, is sworn in as governor

Northeast Tennessee since Jay Fields in 1978-79.

For more information on AAF District 7, visit aafdistrict7.com.

For more on Teresa Treadway, go to cenergy.com. [B](#)

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MED BRIEFS

Dougan handling Wellmont CFO duties

Todd Dougan, a 34-year finance professional who has worked for 23 years in health care, has been selected as interim chief financial officer for Wellmont Health System.

Dougan assumed the position April 23 and succeeded Alice Pope. He is responsible for Wellmont's financial operations and oversee about \$800 million in annual net revenue.

Bart Hove, Wellmont's president and CEO, said the transition will be smooth because Dougan has served as the organization's senior vice president of finance for 10 years. In that position, Dougan is a member of the executive leadership team and plays an integral role in ensuring Wellmont is on solid financial ground.

Since he joined Wellmont in 2006, Dougan has overseen multiple areas of finance for the not-for-profit organiza-



Todd Dougan

tion, including the accounting, accounts payable, payroll and treasury functions. Earlier in his tenure with the health system, he was chief financial officer for

Wellmont Physician Services, which was the predecessor of Wellmont Medical Associates. He was also responsible for Wellmont's for-profit subsidiaries and joint ventures with other organizations.

Dougan is the primary day-to-day contact with Wellmont's lenders, bondholders and ratings agencies.

Prior to joining Wellmont, Dougan served as chief financial officer within Hospital Corporation of America and Columbia/HCA Healthcare Corp.; chief financial officer and treasurer for the Trover Clinic Foundation in Madisonville, Ky.; a consultant for Murray-Calloway County Hospital in Murray, Ky.; and interim chief financial officer for St. John's Regional Medical Center in Joplin, Mo.

A certified public accountant, Dougan began his career at Price Waterhouse, rising to manager and senior manager of the auditing and business advisory firm.

Dougan is a member of American Institute of Certified Public Accountants

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Adam Maurer
General Manager

and the Healthcare Financial Management Association. Previously, he co-founded the Hopkins County Community Clinic in Madisonville and served as co-chair of the American Cancer Society's Relay for Life Committee in Hopkins County. He has a bachelor's degree in business administration from the University of Evansville.

Wellmont BBB+ bond rating nationally reaffirmed

Two national bond rating agencies have reaffirmed Wellmont Health System's BBB+ bond rating.

Standard & Poor's Ratings Service recently issued the results of its annual evaluation, which included a review of Wellmont's finances and discussions with the health system's leadership. Of particular note in the Standard & Poor's report was improved financial outcomes in the fiscal year and a higher operating margin so far in the current fiscal year.

Fitch Ratings also reaffirmed Wellmont's BBB+ bond rating as part of its annual review of the health system's finances.

The report from Standard & Poor's noted Wellmont earned \$2.5 million more in operating income during the fiscal year that ended in June compared to the prior year. This review stated the financial outcome for Wellmont was better than the health system had budgeted and highlighted management's goal to reduce expenses by \$25 million a year. [B](#)

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Parent company announces contracts for NFS totaling \$706 to \$861 million

In the span of a week, Nuclear Fuel Services (Erwin, Tenn.) announced it had been awarded two government contracts worth a total of at least \$700 million. One is to manufacture and deliver fuel for the U.S. Navy's nuclear propulsion program, the other to downblend highly enriched, weapons-grade uranium into a low-enriched form usable as commercial nuclear reactor fuel.

The downblending contract, announced April 21, will see NFS work on a program conducted under the auspices of the U.S. Department of Energy's National Nuclear Security Administration (NNSA). The NNSA's Office of Material Management and Minimization has a nonproliferation mission that includes reducing highly enriched uranium (HEU) stockpiles around the world.

NFS will work under the prime contractor that supports the mission,

which seeks to reduce the proliferation threat from surplus HEU by converting it into the usable, low-enriched form.

In making the announcement, NFS parent company BWXT said work on the \$241.5 contract should last into 2019.

"NFS plays a key role in the non-proliferation process," BWXT President and CEO Sandy Baker said. "We are very pleased to continue providing our services and support to the NNSA and its prime contractor in this very important arena."

The second contract, announced April 27, will see NFS continue its more traditional work of providing fuel for the Navy's fleet of nuclear submarines and carriers. The release cited a total of \$3.1 billion awarded to BWXT Nuclear Operations Group, Inc. and NFS. The nuclear operations group will provide components for the reactors that power the fleet, and will receive 80 to 85 percent of the total

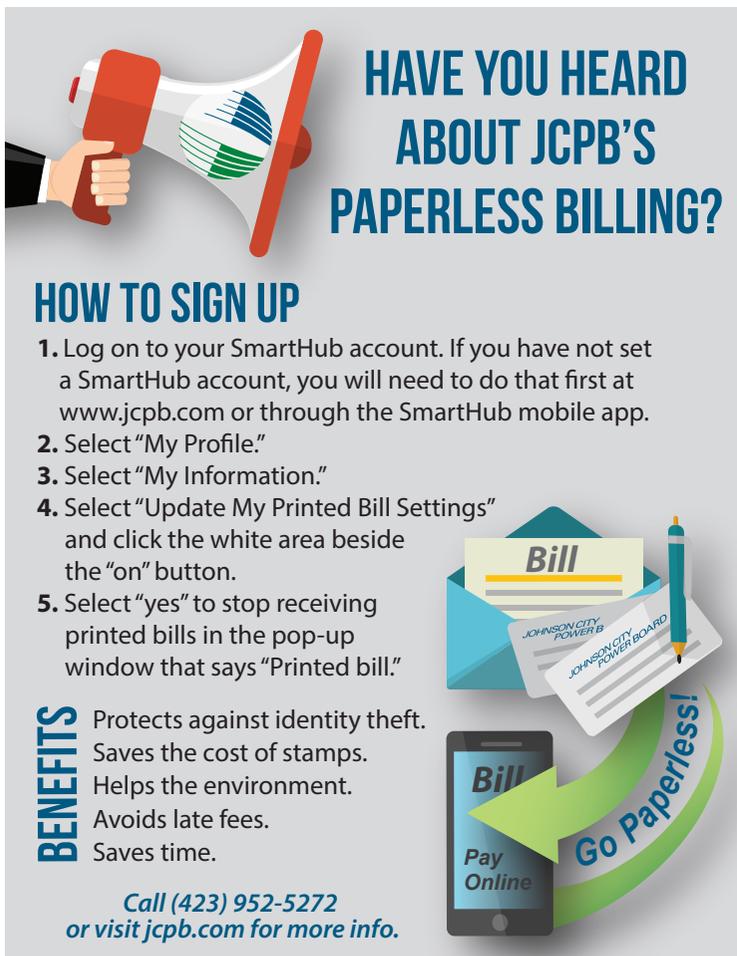
\$3.1 billion, leaving NFS with somewhere between \$465 million and \$620 million.

In addition to production and delivery, the contract includes funding for NFS to work on "development of material for future naval reactors programs," according to the release.

"The awards of these contracts demonstrate the continued reliability placed on BWXT to execute this important work for the U.S. Government in a safe and cost effective manner," Baker said.

The fuel contract is for 2016, 2017 and 2018, with the next two years subject to Congressional appropriations. NFS has sufficient labor capacity to handle the Naval contract, according to company officials.

NFS spokeswoman Susan Metcalf said neither of the two contracts will require additions to NFS's workforce, but said the company is, "always looking for qualified folks." ■



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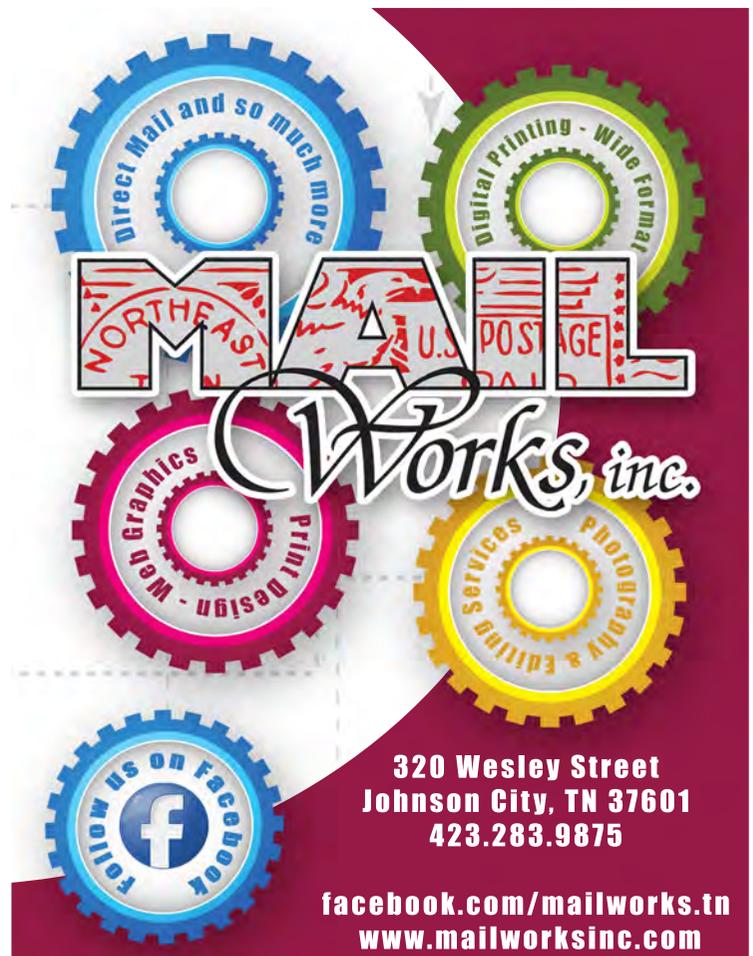
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Take heart: Common sense, accountable leadership not dead yet

By Jeff Keeling



When you deal directly with potholes, pill heads and peoples' education, political leadership can be difficult. Local and regional leaders haven't the luxury of layers of lesser governments or bureaucracies between themselves and the citizens they are charged to serve. If they do a poor job, act irresponsibly or lack the fortitude to make hard but necessary decisions, the results are readily evident. Schools struggle, social problems such as drug addiction threaten to spin out of control, and health care quality and access

suffer, for instance. And in all such cases, a region's economic competitiveness and business climate suffer, too, stifling the potential for growth and prosperity.

When leaders at higher levels of government sling sideshow rhetoric and fail to seek practical solutions to problems such as the nation's decaying infrastructure, a tax code in need of sensible reforms and the future insolvency of entitlement programs, the consequences seem to be far less. Witness the abundance of presidential campaign rhetoric that is long on attacking cleverly constructed straw men and offering vague promises backed up more by personal brand appeal than by realistic policy plans.

Fortunately, I have witnessed several examples lately of local and regional leaders in the Tri-Cities discharging their responsibilities with the kind of diligence and thoughtfulness the citizens deserve. As the issues around which they deliberate and act play themselves out, our region's economy and quality of life should benefit.

In mid-April, members of the Southwest Virginia Health Authority (SVHA) spent hours discussing the proposed "cooperative agreement" that if approved would allow Mountain States Health Alliance and Wellmont Health System to merge. Five committees are charged with parsing details on how the merger might affect population health, health care access, cost and quality, and competition. Overall, the SVHA will make the call whether or not to deem the systems' application for a cooperative agreement "complete" and send it to Richmond for approval or denial. SHVA also will make its own recommendation on approval or denial of a major proposal that, quite literally, has segments of the whole nation watching because of its potential impact on antitrust issues.

The application is immensely complicated and it's long. The group, comprised of already busy people, could already have moved it along without true due diligence just to avoid the

hassle. They could have rubber stamped it out of deference or political expedience.

They're doing nothing of the sort. They met for several hours April 13 – a date on which they could have deemed the application complete – and asked searching, relevant questions about the proposal and how it might affect people and health care facilities in Southwest Virginia. They then peppered Wellmont and MSHA representatives about what they saw as unanswered questions about what might happen to hospitals, employees and uninsured/underinsured patients post-merger. They did their job, considering the SHVA's mandate to "improve quality of life in the region by enhancing, fostering and creating opportunities that advance health status and provide health-related economic benefits for people of all ages." They're representing the interests of their constituents instead of rushing this thing through. Bravo to them.

A week after that experience, East Tennessee State University announced it had state approval to establish an inter-professional research center to focus on prescription drug abuse in the region. The center will build on several years of community-based substance abuse work ETSU has helped lead. Without collaboration among a host of other stakeholders, from law enforcement to local government, ETSU's efforts would be far less effective. But again, here locally where we work, worship, celebrate and grieve with the people who are impacted by the same stiff challenges we are, these efforts have been focused more on solving problems than on casting blame or accruing personal or political power.

The final example came a week later. I met with Lottie Ryans, late of CenturyLink, now director of workforce initiatives for the First Tennessee Development District (FTDD). The FTDD has played a role in the prescription drug abuse battle mentioned above. Now, the agency that represents eight Northeast Tennessee counties has Ryans running the point on an effort to most effectively align regional educational efforts and practices with the needs of the labor market today, but even more importantly, 10 and 20 years from now. Success, as it does in the two previously mentioned efforts, will require a willingness to abandon personal agendas and put egos aside in favor of adopting best practices – even if someone you might face in the football playoffs came up with one of those practices and you didn't. The effort is just beginning, but if it stays results-focused, it's got a shot at helping our region immensely.

The people working on these problems regionally face directly – just as you and I do – the consequences of the challenges remaining unaddressed or ineffectively addressed. Thankfully, they appear to be rising to the challenge. Perhaps our national leaders could take a few cues from them.



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