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Virginia approves Ballad agreement

Mountain States, Wellmont target early 2018 merger close

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COVER STORY



Virginia approves Ballad cooperative agreement

Almost two years in the making, the agreement under which the merger of Mountain States and Wellmont will be closed in Virginia has received the Commonwealth's approval.

Cover photo illustration by Judd Shaw

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The fact that the city of Kingsport is intentionally laid out as a model city, with industrial, civic, commercial and residential zones pre-planned is well-documented. But none of the advance planning would have mattered without the work of one attorney for the Carolina, Clinchfield and Ohio Railway.

Hugh Graham Morison was general counsel for the railway, and was charged with writing the first draft of the charter for the city. He did so with the cooperation and assistance of H. Ray Dennis and F.M. Kelly. True to the diligent, meticulous nature of Kingsport's planning, however, Morison's draft was far from the final document. The charter was vetted by John B. Dennis, and J. Fred Johnson, along with Dr. John Nolen, who had been hired to design the layout of the city.

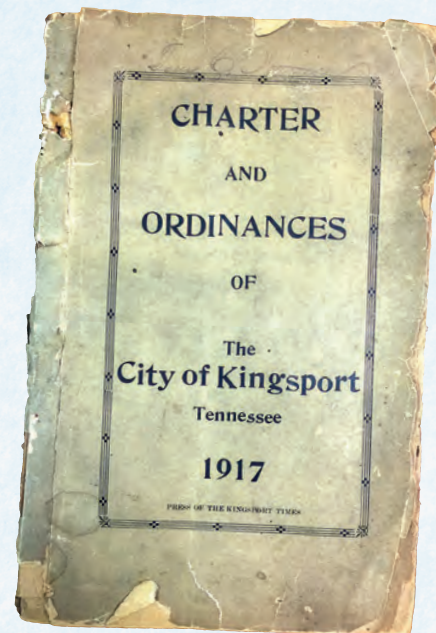
Next, the charter was sent to the Bureau of Municipal Research at the Rockefeller

Foundation in New York City for further vetting and advice. Among the ideas included in the charter was the creation of a council-manager format of city government. Kingsport would become the first city in Tennessee to adopt that format.

Finally, the proposed charter was ready for consideration by the Tennessee General Assembly. It was submitted in Nashville, where it became Senate Bill No. 450. It was passed Feb. 28, 1917. Governor Tom C. Rye signed it on March 2 of that year.

And Morison? He and Kelly founded a law firm known as Hunter, Smith and Davis, which is still a leading firm in the city and the region today.

A copy of the charter and original ordinances of the City of Kingsport housed at the Archives of the City of Kingsport in the J. Fred Johnson Memorial Library.



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A time for guarded optimism



Since 1988, this publication has trumpeted the virtues of a regional approach to economic activity in Northeast Tennessee and Southwest Virginia. The wisdom of a unified effort to attract jobs and capital investment, to address problems both economic and societal, and to change negative perceptions of the region held by those outside our

borders has been apparent to several publishers, multiple editors and a host of advertisers and readers.

Today the region is closer than at any time in the near-30-year history of *The Journal* to making significant progress in building that effort.

The Mountain States – Wellmont merger is an example. The two organizations that once epitomized the Friday night football mentality in the region are braving not one but two state bureaucracies to merge in order to maintain local control of health care. To do so, they've had to spend millions of dollars with the full knowledge that because they will create a monopoly, they will face regulation like no other health care system in America to date.

They also know they will be required to spend more than \$300 million over the next decade to improve the health of the region's population in ways that are not accretive to their bottom line. Helping Northeast Tennesseans and Southwest Virginians live healthier lives so they go into the hospital less frequently would seem anathema to the mission of a hospital system. But system leaders know change in payment models toward population health-based outcome delivery is coming, and they'll be better together if they get out in front of the very serious health problems here. Also, they know that to be truly successful, they will have to work with independent physicians to address those issues.

The move toward a true regional approach isn't just visible in the private sector. In October, the governments of Bristol, Kingsport, Johnson City, Sullivan County and Washington County, Tenn., all agreed (with only two Washington County commissioners voting in the negative) to back a bond issue by the Tri-Cities Airport Authority for grading work on the Aerospace Park project.

In the not-too-distant past it would have been unthinkable for something like that to happen. But elected officials in each government saw the benefits likely to accrue to his or her own community – whether those benefits be in the form of taxes on the companies that may locate in the park, or in the form of taxes levied against the highly-paid individuals who will work for those companies and live in Northeast Tennessee.

The move toward regionalism is gaining steam because business leaders are finally getting through to the politicians the fact that “regionalism” doesn't mean smiling at each others' faces and stabbing each others' backs.

Regionalism means forethought.

It means ambition.

It means achievement.

To be fair, regionalism must be tempered with common sense, just like any other idea that can go wrong. Northeast State tried to become a great regional player over the last few years, only to find its reach had exceeded its grasp. Before that, the Regional Alliance for Economic Development had to come to grips with the fact that seeing the faults in the way things are being done doesn't give one carte blanche to bull rush others in the charge to change.

And to continue to be fair, there will be growing pains ahead. It is not outside the realm of possibility that some person or persons in the Tennessee Department of Transportation, which will oversee some of the funds necessary for the Aerospace Park project's completion, could hold it against Northeast Tennessee that several of our state legislators campaigned against passage of the IMPROVE Act last year (and some are even talking about repealing it in the future).

Just so, initiatives like Work-Ready Communities are slower to take off than we might have hoped. But today, more than ever before in my lifetime, those initiatives are moving forward.

So as we approach the next 30 years of *The Journal* beginning in a few months, my optimism remains cautious. It remains guarded.

But above all, it remains.

A handwritten signature in black ink that reads "Scott L. Rhoads". The signature is written in a cursive, flowing style. To the right of the signature, there is a long, thin horizontal line that extends across the page.

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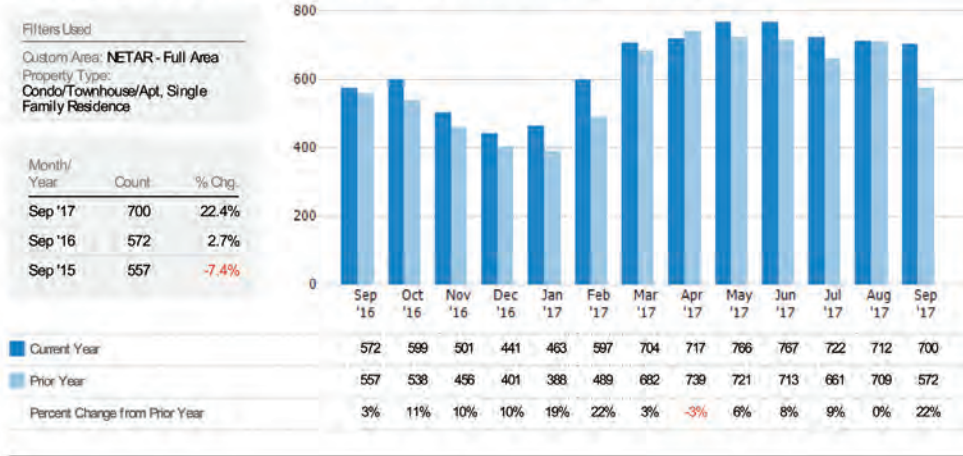

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Northeast Tennessee pending home sales just keep on going, going and going

New Pending Sales

The number of single-family, condominium and townhome properties with accepted offers that were added each month.



Accepted contracts on single-family home sales are performing a lot like the Energizer Bunny – they keep going and going and going.

September's new contract count for the 11-counties monitored by the Northeast Tennessee Association of Realtors (NETAR) Trends Report was 695, down 10 from August and up 123 from September last year.

When you add September's new accepted contracts to those still in the pipeline, there are 1,010 active, pending sales in the region. That's 78 more than August and 193 more than September last year.

September's pending sales report is the final third quarter indicator for what closings will look like in October and November. "A pending sale typically moves to closing in a month to six weeks, and it's normal for anywhere from 4 percent to 5 percent of them to fall through and result in no sale," said NETAR President Eric Kistner. October's Trends Report for closings and average sales prices on the regional, county and city level will be available mid next month.

Last year the pending sale inventory began a typical pattern of arching lower starting in May. But this year it began increasing in June, and year-over-year comparisons have been up every month since then. "The total inventory of accepted contracts was 24 percent higher in September than it was September 2016. To benchmark this year's market conditions, compare that to the September 2016 pending sales inventory. It was down 14 percent from September 2015," Kistner said.

"New listings are coming on the market, Kistner said, but they're barely keeping pace with sales." In September the region had 4.9 months of inventory of homes on the market. That means it would have taken 4.9 months to sell everything on the market at September's sales rate. "The supply has basically been stuck at that level since June," Kistner added.

"The only thing that seems to be increasing faster than pending sales is consumer confidence and demand for both single-family resales and new homes," Kistner said. "That dynamic has helped push the year-to-date average sales price for an existing single-family home 5.6 percent higher than last year," he added.

The national economy is looking stronger, the stock market is setting new records and retailers are ramping up for their best holiday season in years. Consumers are feeling good. Many of those in the housing market are anxious to lock in because they sense prices and mortgage rates will continue increasing next year.



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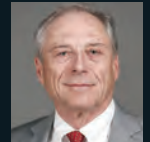
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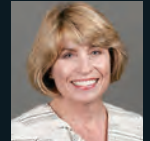
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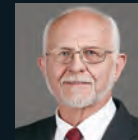
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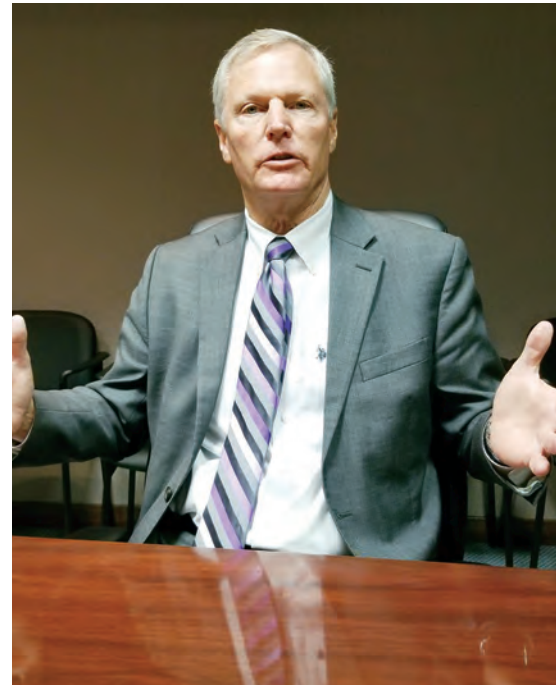
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Mountain States President and CEO Alan Levine addresses the Southwest Virginia Health Authority, Oct. 14.



Wellmont President and CEO Bart Hove at Wellmont Corporate Headquarters, Nov. 1.

Virginia approves Ballard cooperative agreement

By Scott Robertson

Just after 3 p.m., Oct. 30, 2017, Mountain States Health Alliance and Wellmont Health System and the general public received formal notification that Virginia had approved the cooperative agreement under which the merger of the two systems may take place in the Commonwealth.

The order came in the form of an email and an update to the Virginia Department of Health website, vdh.virginia.gov. In the email, Virginia Health Commissioner Dr. Marissa Levine said, “I find that by a preponderance of the evidence that if the applicants meet and comply with the conditions...the benefits likely to result from the proposed cooperative agreement outweigh the disadvantages likely to result from a reduction in competition from the proposed cooperative agreement.”

Dr. Levine committed to establishing measures to evaluate the benefits of the agreement by January 31, 2018. She also included a list of 49 conditions under which the merged entity, to be named Ballard Health, must operate.

Among them:

- The two systems may not close, repurpose, merge facilities or terminate employees (except for cause) from now until the effective date of the merger.
- Ballard may not contractually require that it be the exclusive provider to any health plan.
- Ballard must coordinate in good faith with independent

physicians groups to develop a single, region-wide clinical services network, including the sharing of data.

- Ballard must fully honor existing employee benefits including full accrual of sick time and vacation.
- During the first 24 months, no Virginia employee may be terminated, except for cause, or moved more than 30 miles from his or her current location of employment. After 24 months, if Ballard wishes to terminate more than 50 employees during a 90-day period, it must give the state at least 60 days advance notice.
- Ballard must spend at least \$85 million on health research and graduate medical education, \$85 million on behavioral health services, \$75 million on population health improvement, \$28 million on rural health services, and \$27 million on children’s health services in the 10-year period starting in 2018.
- All Virginia hospitals must remain open as clinical and healthcare institutions for at least five years.
- Three members of the 11-member Ballard board must be Virginia residents.

Much of the Virginia cooperative agreement mirrors the Tennessee Certificate of Public Advantage (COPA) granted a month before, though there are differences. The two documents are required in order to avoid the Federal Trade Commission

stepping in to disallow the merger on grounds it would create a monopoly harmful to the region's healthcare consumers. The COPA and the cooperative agreement are intended by the states to keep the new system from exercising inordinate market power.

"The most important thing is that the elimination of competition doesn't result in harm," Mountain State CEO Alan Levine (no relation to the Virginia commissioner), who is slated to be the chairman of Ballad said after the release of the Virginia order. "We all agree on that."

But with two different state governments regulating one merged entity that will negotiate with payors and independent physician groups, among others, there's still some confusion among the outside parties.

"We really are having a difficult time understanding how it's going to be enforced in context," said Scott Fowler, president of Holston Medical Group. "The regulation is significant and there are still a lot of questions left."

Alan Levine said the enforcement plan, while perhaps not entirely simple, is certainly capable of serving its purpose. "The Ballad board will have an audit compliance committee. There will be a COPA compliance officer who will report to that committee and to me. If there are issues related to employees or doctors, they can call an anonymous hotline and say why they think we're out of compliance."

"The COPA compliance officer would then conduct an independent review. If they find we are not in compliance, they would tell management and suggest corrective action. If management does not agree, it would come to me, in which case the board will become a compliance committee and evaluate it. If we determine there is not a compliance problem, that will be our position. If we believe there is a problem, we will direct management to correct it. And of course, we have to report all this to the COPA monitor, which is another level of review. I don't think though that a COPA monitor will want to reinvestigate everything the compliance officer does."

"My sense is the state doesn't want the COPA law to be invasive. That's why they wanted an internal compliance officer. I don't think we want to have a COPA monitor living inside the system and running the system, and I don't think that's either state's intent."

"As chair, I will be committed to making sure the compliance process is resourced properly, that the compliance officer is properly independent and that they have the right skill set to do investigations, then to do a thoughtful summary of what they found and how they recommend we correct it if we're not in compliance. I think when the state sees that working well, they will rely heavily on that process."

State of Franklin Healthcare Associates CEO Rich Panek sees no problem with that system of enforcement. The potential rub, in his estimation, is the new system's appetite to work cooperatively with

other players, including independent physician groups. "With the monitor and compliance committee in place, the structure is such that it will be more than adequately monitored," Panek said. "The success will hinge on the ability and desire of the system to engage all the stakeholders of the community."

For his part, Levine, who sat down with Panek within 48 hours of the Virginia order's release, sees a structure for such relationships already in place. "We're going to establish what the priorities are in population health," Levine said. "We're going to go with the doctors to the payors and we're going to say, 'Can

we agree to align all of our incentives to these metrics?' From there the only things to decide are what role the physicians play, what role we play, and what things we will invest in to provide help to the physicians?"

The other concerned constituency is comprised of consumers and payors, ably represented during the COPA application process by the FTC. Said Bart Hove, Wellmont CEO who will maintain that role in Ballad, "All along, one of the FTC's big concerns has been pricing. We went into the application with a proposed pricing mechanism that would in our minds satisfy the FTC that we were going to hold pricing down so our consumers would not be harmed by the merger. That pricing

commitment has, over however long it has taken us to get to this point, been registered in every document the FTC has put forth.

"My thought going in was, 'We'll lay that pricing on the table and that will satisfy that question about pricing and commitment to the consumers and we'll be done. We'll take our price cut and it will multiply year after year and that should satisfy everybody,'" Hove said, before admitting he may have been naïve in that view.

Naturally, the two states disagree on what the deadline for closing the merger should be, so Levine and Hove don't know whether to plan for Tennessee's 60 days or Virginia's 90. Prudence demands they prepare for 60. Should the closing occur on day 60, it would be just over 1,000 days since the systems announced their plans to merge, April 2, 2015.

It's the next 1,000 days that Levine and Hove are focused on however, not the last. "What we'll be working on over the next 60 days," Levine said, "is making sure that we begin to move toward a Ballad culture and away from a Mountain States and a Wellmont culture. From the day we close, there will be no more Mountain States and no more Wellmont. There is only Ballad."

With the finish line in sight, Hove is eager to cross it. "I am convinced moreso today than ever that this is the right thing for our community," he said. "It is different. It is out of the ordinary. It has not been done on this scale anywhere else in the country, but from what I understand, and from what I know about where health care is going, it is definitely the right approach to be able to achieve all the commitments outlined in the documents from both states." ■

“...the benefits likely to result from the proposed cooperative agreement outweigh the disadvantages likely to result from a reduction in competition...”

- Dr. Marissa Levine, Virginia Commissioner of Health

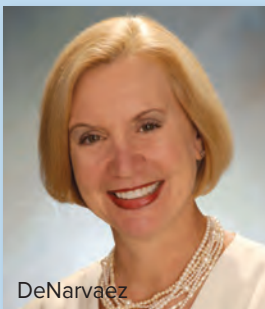


Prelude to Ballad

An oral history of the road to regulatory approval of a merger between Mountain States Health Alliance and Wellmont Health System as told through the words of the participants

Compiled by Scott Robertson

When the Virginia Department of Health issued an order (see page 10) Oct. 30 approving a cooperative agreement that would govern a Ballard merger in the Commonwealth, it brought to a close a process that has taken much longer than anticipated – a process that will create new bureaucracies in two states – and a process that had its roots in the ambitions of some who are no longer involved, and some whose involvement was totally unforeseen. While Mountain States and Wellmont still have miles to travel before the merger is completed, a quick look back may prove instructive as the two systems look ahead.



DeNarvaez



Vonderfecht

It was in a **February 2012** interview with the *Business Journal* that then-Wellmont CEO Margaret “Denny” DeNarvaez made the first on-the-record mention of the fact that her management of the system was carried out with a potential merger in mind.

“It will put us in a much more attractive position where we will ultimately decide to grow further, be acquired or anything, merged, anything like that. We want to be the best we can be when that happens...We just want to be a prettier date,” DeNarvaez said. “We want to be the prettiest date we can be.”

At Mountain States, the realities of increasing consolidation in health-care were not lost on then-CEO Dennis Vonderfecht, but in **March 2013**, he predicted MSHA would not merge until 2018 at the earliest.


“We haven’t identified necessarily any certain partner at this point in time. But we have begun establishing a lot of really good relationships. So in terms of the consolidation, that very likely could happen here probably in the next five to ten years. That would be my guess.”

Vonderfecht’s successor, Alan Levine, was more circumspect upon his arrival in **Sept. 2013** when asked about Vonderfecht’s prediction.

“I would be hesitant to predict what it would look like in two years, much less five to 10 years. Dennis may be right, but I won’t know that until I’m here and have really had a chance to dig in. I think the things that Dennis has done really put a system in place and create scale to position Mountain States better to create its own destiny as opposed to having that destiny imposed upon Mountain States.”



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Within a few months, in **December 2013**, DeNarvaez hinted to the *Business Journal* that Wellmont was moving closer to consideration of welcoming a merger with an outside partner.

“I have lots of thoughts on that topic, but just as a general statement, I think you pick a partner when you’re not a target...We’re certainly not in anywhere close to that position, but we are talking to other folks about what it is they are receiving from some of their mergers and acquisitions activity and shared savings programs. We’re keeping very abreast of what others are actually achieving in that respect so that we understand it and know what it is we need and how we’re going to take it to the next level.”



Denny DeNarvaez



Buddy Scott and Denny DeNarvaez

Within a month, on **Jan. 9, 2014**, DeNarvaez and then-Wellmont Chairman Buddy Scott held a press conference in which they announced plans to seek an “alignment partner.” Said Scott, “Our board and our management team strongly believe we must act now to ensure Wellmont evolves with the rapidly changing healthcare industry. It’s the right and responsible thing to do.”

DeNarvaez added, “We have been on this path and have been examining our options for some time. It’s clear to us that the headwinds in health care get worse as the years go by.”

With then unknown prescience, Scott concluded by saying, “It’s more important to get it done right than it is to get it done quickly.”



Bill Greene



Brian Noland

Over the next few months, Mountain States joined eight other systems in tossing its name into the hat as potential merger partners. DeNarvaez, however, made it clear she preferred merging with a larger outside system. Local business leaders noted her stance, and a few, including BancTenn Corp., Chairman Bill Greene, organized an effort to push for a Wellmont-MSHA deal with discussions both in-public and behind-the-scenes. On **Aug. 18, 2014** the “Hole in the Wall Gang” as Greene had dubbed the effort, held a standing-room-only public meeting in Kingsport featuring addresses by

Greene, ETSU President Dr. Brian Noland, Kingsport Mayor Dennis Phillips, Holston Medical Group founder Dr. Jerry Miller and Kingsport attorney Bruce Shine.

Said Noland, “If these two systems are controlled by outside entities, 40 years from now we’re all going to sit back and say, ‘What could have been?’”

Greene summed up his argument by saying, “I’d like someone to tell me what someone from outside – Novant, Carolina Health – can bring to our region that we can’t do for ourselves. We’re as smart as everyone else in the United States. Let’s get on with it.”



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Alan Levine

At the same time, Levine was campaigning obliquely, held at bay from discussing the merger specifically by non-disclosure agreements, he could speak only in general terms about the future of the market. He implied that Wellmont could only create more revenues with a larger system by passing costs on to patients through their health insurance plans. “That,” Levine said, “is precisely the wrong approach.”

It was at the **Aug. 18** meeting that the states’ role in a MSHA-Wellmont merger was first discussed at length in a public setting. Shine told the *Business Journal* afterward that he believed Tennessee had never even considered a Certificate of Public Advantage (COPA) of the magnitude necessary for such a deal, saying, “These hospital mergers are exceptions to federal antitrust law, and therefore there is a keen interest to make sure that competition is not decreased.” Then-Virginia Secretary of Health and Human Resource Bill Hazel signaled he would be open to the idea of a COPA-type agreement between the systems, but that it would be, “a big deal...I think it probably is a reach to say the markets are working real well in health care right now, so it would not be unusual to say, ‘Well, what are our other choices?’”



Bruce Shine



Roger Leonard

Within two weeks of the Hole in the Wall Gang’s public meeting, DeNarvaez said concerns about lack of local governance were overblown. “I think there’s presumption that a regional partner may allow for more local control. That’s not necessarily true. Non-regional partners can set up a lot of local control.” With DeNarvaez intransigent on one side and a rapidly swelling coalition of regional business interests on the other, the Wellmont board was put to a choice it would later admit it had not planned on making. On **Sept. 10**, DeNarvaez abruptly resigned. Roger Leonard, Wellmont’s chairman told the *Business Journal* Wellmont understood the issue of local control was, “a very important factor” in what to do moving forward.



On the morning of **April 2, 2015**, Leonard opened a news conference at the MeadowView Conference Resort and Convention Center by saying Wellmont planned to merge with Mountain States in what he called, “an exciting opportunity not imagined by any of us at the beginning of this process.” Bart Hove, DeNarvaez’s successor as Wellmont CEO told the *Business Journal* in a roundtable discussion immediately after the announcement, “I don’t believe that Wellmont necessarily expected an opportunity like this to come up and be presented during the strategic options process, but good leadership has prevailed to take advantage of that opportunity and turn it into something phenomenal, and that’s the objective that was laid out today.”

Once the two systems agreed to pursue the merger, the governments of the states in which they operate -Tennessee and Virginia – had to set rules by which such a merger could be considered. Shine was right in that neither state had rules in place by which to accomplish it. The Virginia General Assembly enacted a change to Virginia Code allowing the health commissioner to approve or deny a cooperative agreement based on recommendations from the Southwest Virginia Health Authority. Tennessee enacted emergency legislation allowing the attorney general and health commissioner to review a request for a COPA. Both states were primarily concerned with protecting the marketplace from loss of competition, and both sought input from all corners. Said Highlands Physicians CEO Brant Kelch in **Jan. 2016**, “The opinions range from, ‘Oh my God, the sky is falling’ to ‘This is really going to be good.’ Probably most of the people are in the middle, and are concerned, and think that monopolies are not good unless you are one, but do believe this could be good for the community and will be a good one if it’s done right.”



Brant Kelch



The first signs of COPA fatigue begin to show as Wellmont Senior Vice President of System Advancement Todd Norris says, “We appreciate the way (the states) are approaching it. We’d obviously like for the process to take less time, but the process is extremely important.”



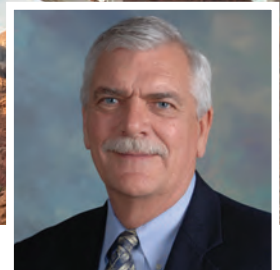
By **July 2016**, the states had yet to deem either application complete. “We’re trying to answer them with the specificity that they need so that we don’t need a set of follow-up questions from them,” MSHA Senior Vice President Tony Keck told the *Business Journal*. “That’s not a good use of their time or ours.”



SEE **BALLAD, 18**



On **March 15, 2016**, the systems got a feel for just how robust those negotiations may be. During a meeting of the Southwest Virginia Health Authority, advising attorney Jeff Mitchell told members of the group, “Don’t shy away if you think there’s something that can be more defined. Remember, your standard at the end of the day is, ‘do the benefits outweigh the disadvantages?’ But at this stage in the game, you’re simply asking yourself whether or not you think you have enough information to later make that assessment.”



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On **Aug. 26, 2016** the Southwest Virginia Health Authority deemed the application complete, starting a 150-day review period. The Virginia Association of Health Plans immediately presented a multi-point argument for not moving the application forward. “Many questions have not been answered fully, or the answers given do not provide the requisite level of detail or explanation,” said Kyle Shreve, director of Policy for the VAHP.

On **Sept. 15, 2016**, Tennessee deemed the applications complete. The difference in timetables for the two states indicate both should reach decisions around the same time in early 2017. The day before, the systems shared with the media a letter to employees stating, “Once our merger is approved, Mountain States Health Alliance and Wellmont Health System will become Ballad Health. Our tagline will be, ‘It’s your story. We’re listening.’”



If the Southwest Virginia Health Authority were hoping to get guidance from its staff on how to vote, those hopes went by the wayside three hours into an **Oct. 27** meeting when staffer Dennis Barry said, “I think the members of this authority could make a reasonable judgment that it’s likely that the benefits (of a regulated cooperative agreement) exceed the disadvantages... Reasonable members of this authority could say, ‘This is a monopoly, guys. I’m scared, and I don’t want to do it.’ I don’t think that’s an inherently unreasonable position.”



Dennis Barry and Terry Kilgore

Doug Gray, director of the VAHP, questioned in **October 2016** whether the regulatory structure being considered at the time would be sufficient to keep monopolization’s negative effects from adversely impacting the market. “The idea that they will be able to steer it is attached to a certain overestimation of the influence of a regulating entity. There’s been no good discussion whatsoever about having the resources available to appropriately monitor such an agreement if it were approved. Staff is not in place, there is no understanding of how things would be checked and when. What’s been described to us so far is an annual report that somebody reads, and that’s it.”



Alan Levine and Dennis Barry

Levine said, “If you look at the results of the negotiations we’ve had with the SVHA, all of a sudden now we’re working with them to put together long-term plans to then fund – and we get measured against whether we actually fund what we say we’re going to fund. It puts some weight behind what the overall strategy is – whether it’s research, whether it’s population health, enhancement of specialty services – that’s what’s so different as opposed to what exists today, which is a plan on paper.”

Barry continued to guide the SVHA to make its own choices rather than to look for precedent. “There have been very few COPAs out there, or cooperative agreements. The limited experience, the anecdotal evidence is positive. But we don’t have a great deal of peer-reviewed analysis of the pros and cons of those agreements, so to some extent there’s guesswork here that’s inherent in what you’re doing.”

The final public hearing in Tennessee, **Nov. 21, 2016**, included receipt of a six-page footnoted letter signed by 46 academics with expertise in antitrust and health economics. The letter is critical of the proposed merger. An exasperated Levine told reporters, “not one of those economists actually read the documents we submitted to the state.”

On **Jan. 13, 2017**, the deadline for Tennessee Department of Health to announce whether it would approve the COPA, the department instead issued a release saying it would, “allow the applicants to make additional submissions to their application.” Virginia followed suit Feb 6.



Dr. Merissa Levine

On **May 17**, Virginia Health Commission Dr. Merissa Levine (no relation to MSHA’s Alan Levine) told MSHA and Wellmont leaders her department would act, “as a regulator, not a partner” in its relationship with the merged system, should the cooperative agreement be approved. Dr. Levine challenged the systems, saying, “More information is needed concerning how the new system will evolve from its current focus on hospitals and health care to a new focus on primary and preventive care.”

On **May 22, 2017**, the TDH announced it has once again deemed the application complete. Said TDH spokesman Bill Christian, “As part of our ongoing process, the department has been consulting with the Attorney General’s office as well as with outside experts... generally, these conversations have been to outline what operations would look like beyond legal requirements and beginning discussions about what a potential regulatory structure would look like.”

SEE BALLAD, 20

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As the deadline closed in, physicians' groups make a last plea to the states to ensure Ballad would not have an excessively heavy hand in the market. "I just think the hospitals are going to need to be collaborative in order to have the services they currently provide be high-quality and low-cost, rather than trying to be sort of dominant," said HMG President Dr. Scott Fowler. Fowler's opposite number at State of Franklin Healthcare Associates, Rich Panek, said, "If you have the correct organizational structure with transparency and accountability and input from the private health community, you're going to increase the likelihood that there'll be compliance related to the elements of the COPA."

On **Sept. 19, 2017**, Tennessee released the Terms of Certification governing the approval of the COPA. "This has been an unprecedented and complex process, and I appreciate the time, effort and resources everyone involved has put into making it a productive one," Health Commissioner Dr. John Dreyzehner said. "I also appreciate the legal expertise and guidance of the Attorney General and his staff as we've put into place measurable goals and terms and conditions to ensure that in granting approval, there is a clear public benefit to the health and well-being of residents of the region."



Alan Levine and Bart Hove

On **Sept. 28**, Virginia grants an extension to Oct. 30 for approval of the cooperative agreement. A release from Mountain States and Wellmont said, "The deadline extension was requested to give Virginia officials appropriate time to review our application in light of Tennessee's terms for approval of a Certificate of Public Advantage, which was granted last week."

On **Oct. 30, 2017**, Dr. Levine sent an email and letter to Alan Levine and Bart Hove which said, in part, "I find that by a preponderance of the evidence that if the applicants meet and comply with the conditions...the benefits likely to result from the proposed cooperative agreement outweigh the disadvantages likely to result from a reduction in competition from the proposed cooperative agreement." Both states had approved the agreements necessary for the merger to move forward. **B**


Teachers learning what employers need from students in Southwest Virginia

United Way of Southwest Virginia bringing educators, employers together

Dozens of sixth grade teachers from school systems across Southwest Virginia spent time in late October and early November visiting major employers to learn what skills their students will need to successfully enter the workforce. Through the IGNITE program of the United Way of Southwest Virginia, teachers and employers are being brought together for the good of the students who will enter the workforce and the companies who'll hire them.

Crystal Breeding, Ignite Program Manager for United Way of Southwest Virginia, said, "The goal of our IGNITE program is to help bridge the gap between the worlds of learning and work. This component of the program focuses on connecting employers to teachers – inspiring and informing them about future career options here locally for their students. The teachers then go back to the schools and share their experiences through photos and discussions with their peers and their classes. The teachers will also be able to create project-based classroom activities with information they learn from these tours."

In all, Breeding said, the IGNITE program is investing in the next generation of Southwest Virginia's workforce through career awareness and hands-on learning for more than 29,000 students.

Teachers visited major employers close to their own school districts. Bland, Carroll, Giles, Grayson and Wythe county teachers visited Mohawk Industries, Twin County Regional Hospital, and the offices of Grayson County government. Buchanan, Dickenson, Russell and Tazewell county educators met at Southwest Virginia Community College and toured Tazewell Community Hospital, the offices of Tazewell County government, and CONSOL. Educators from Lee, Scott and Wise counties met at Mountain Empire Community College to tour Wise County government offices, Norton Community Hospital, and Pepsi. Educators from Washington and Smyth counties met at Virginia Highlands Community College to tour Utility-Glade, Johnston Memorial Hospital, and the offices of Washington County government. 

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Northeast State will close Bristol site after current semester

Gray site to be sold, Johnson City and Elizabethton remain in long-range plans

By Scott Robertson

Northeast State Community College will close its Bristol campus at the end of the fall 2017 semester. The decision is part of the College's correction action plan to align revenues and expenses. Northeast State recently trimmed \$5 million to balance its 2018 budget.

"The process we went through in making the decision on Bristol was the same way with everything else," President James King said. "We have analyzed basically every aspect of our operations.

“ Around 80 percent of the students were driving past Blountville to take classes in Bristol.

- Northeast State
President James King

King pointed to two factors that drive the Bristol site decision. "We did not feel like the existing site was conducive to higher ed and to student growth. There was going to be a limited number of students that would max out somewhere around 140, with some being part-time. Then we had a lease that was expensive so we were losing somewhere in the neighborhood of \$400,000 to 500,000 a year."

A recent audit by the Tennessee Board of Regents backed the decision, saying, "the benefits of the site do not justify the current cost of the agreement." The College currently pays \$22,986.51 per month for the 16,000 square-foot site. Payment on the facility will continue until the lease expires on Feb. 18, 2018.

"This move will make the College stronger financially and increase the efficiency of operations," King said. "We appreciate the support we have enjoyed in Bristol and want to keep the door open for a future presence in the community. We told city leaders, 'We are not abandoning Bristol. We are going to start

The State Street main entrance
to the Bristol site
PHOTOS BY SCOTT ROBERTSON

over. This was a business decision, simple as that.”

The 620 State St., facility opened in 2013 with 102 students. The site currently enrolls about 140. “I don’t think we’ll lose a single student in this process,” King said. “In fact, it amazed me that around 80 percent of the students were driving past Blountville to take classes in Bristol.”

King said personnel at the Bristol site would be relocated to Northeast State’s campuses in Blountville, Johnson City, and Kingsport. There will be no employee reductions associated with the move.

The college’s Entertainment Technology program, which is housed at the Bristol site, will be moved to Blountville. Dual enrollment students taking classes at the Bristol facility will move to Tennessee High.

In addition, King said, Northeast State is planning to move classes from its Gray campus to the main campus in Blountville and to the Johnson City site and will sell the Gray site. That site in Gray is less than eight miles from the main campus. It primarily houses offices for the Adult Basic Ed (ABE) and Aviation programs. “That building is not conducive to aviation,” King said. “We could not get an FAA-approved program in that building. We moved ABE to Johnson City and we’re



Northeast State President James King

looking at areas for the Aviation program right now. We’re talking with the Aerospace Park folks at the airport about potentially building on that site, working with grants that are already in play.”

King said any funds received from the sale of the Gray site will be put toward the college’s match for the long-planned Emerging Technologies Building in Blountville.

The Johnson City site will continue to operate, but under an agreement that is more much affordable to the college. “We invested a lot of money in that site to bring it up to par. We had also borrowed some money from local governments that we have been paying back. So in paying that back, the lease had been about \$270,000. Next year it goes down to \$12,000. It’s going to be a great deal. It’s a site with a lot of future.”

King said the college plans to renegotiate the Elizabethton site lease. “My future dream for that site is actually a capital project. We’ve been in Elizabethton for 20 years and have proven to be successful. We should have started looking at building our own site in Elizabethton a long time ago.”

“But the key point in all of this is that these are all business decisions,” King said. “Every one.”

A promotional graphic for an event. On the left, a woman with short blonde hair, wearing a blue and white striped jacket over a white t-shirt with 'GOOD TR' visible, sits on a wooden park bench. She is looking off to the side. The background is a lush green park setting. On the right, large, stylized text reads 'HiEd' in brown, green, and yellow. Below this, a blue banner contains the text 'OVER 50 EXPO'. Further down, the text 'Southwest Virginia Higher Education Center' is written in a smaller font. The main event details are listed in large, bold, white text: 'DECEMBER 8, 2017', 'SW Virginia Higher Education Center', 'Medical Screenings & Vendors', 'Promoting an active & healthy lifestyle', '9AM-3PM, FREE ADMISSION', and the website 'SWCENTER.EDU/OVER50EXPO'.



(L-R) Panelists Mike Evans, Clay Walker, Brad Maul and Bryan Daniels at the Governor's Conference on Economic and Community Development Oct. 26 in Gatlinburg. PHOTO BY SCOTT ROBERTSON

Economic Development 101

NETWORKS' Walker on "Selling Your Site" panel

By Scott Robertson

Clay Walker, CEO of NETWORKS Sullivan Partnership sat as an expert panel member during the "Selling Your Site" session at the October 2017 Governor's Conference on Economic and Community Development. Walker was joined by Bryan Daniels, president and CEO of the Blount Partnership; Mike Evans, executive director of the Montgomery County Industrial Development Board and Brad Maul, target market specialist, product development for Tennessee Valley Authority Economic Development. The session was attended by rural and new economic developers eager to learn how to make it onto the list of localities being considered by site selectors and major employers for new jobs and capital investment.

Most projects involving new companies (as opposed to expansions of existing companies such as those reported on page 28) come to communities attention through the state department of Economic and Community Development, meaning the company involved is already looking for incentive dollars. Said Allen Borden, deputy commissioner of Business, Rural and Community Development for the state ECD, "the winner of these projects is really the last community standing. Site selection consultants are really site elimination consultants."


"They have boxes they tick off," Walker said. "And if your community doesn't have what they're looking for, be it a 400,000 to 500,000 square foot flat space or broadband or whatever, they

will check you off and move on."

The two biggest things companies are looking for are inventory of available flat land or buildings and a ready workforce, Walker said. "Of course, you're out of the game when you're out of inventory. In Northeast Tennessee we're very fortunate to have already made those investments."

Added Daniels, "Companies can go anywhere in the South and find communities where they don't just have an option on a piece of property, they've already got the site grading done so the companies can be quicker to the market. It is so competitive anymore. You hear people complain about incentives. That's reality. It's a world market and until it's outlawed all over the world, it's going to be a competitive market and incentives are going to be a part of the capitalist system."

"And now at ECD," Borden said, "we're getting the workforce question even before we get the site question."

"That's the advantage of having something like the Regional Center for Advanced Manufacturing," Walker said. "Anytime you can get a prospect into that building, it is a differentiator, and advantage for us. Another advantage for us is the folks who are already here. We like to get the prospects to meet the HR folks for our existing employers – leave the room and let them talk. We don't coach them up, but we know our workforce, so we know from our existing industry program what they'll be saying." 

The Apprentice: not reality TV, just reality

Manufacturers are turning to educators for help with a new problem: getting loyal workers. With unemployment at near record lows and economists saying the country is now “beyond full employment,” employees are finding themselves in a seller’s market. At the recent Governor’s Conference on Economic and Community Development, one executive who runs an auto parts plant expressed frustration at the number of employees who have “jumped from place to place for another nickel or dime or five bucks.”

One increasingly popular answer to that problem is registered apprenticeships. A federally supported apprenticeship program currently includes a pay matrix that guarantees employees raises as they gain skills. That guarantee provides an incentive to individuals to stay with the company that trains them.


Jeff Frazier, an Eastman employee who serves as Dean of the Regional Center for Advanced Manufacturing for Northeast State in Kingsport, helps employers create registered apprenticeship programs. He and Jeff McCord, Northeast State vice president for Economic and Workforce Development, spoke at the Governor’s Conference about the benefits of apprenticeship programs.

“In Northeast Tennessee, the value-add for growing your own is that you get a commitment from both the company and the employee,” Frazier said. “That means employers get a person who is more committed to not just completing the program, but actually rising from our particular program.”

One of the key challenges is reaching potential apprentices early, McCord said. “We market down to the high schools and secondary schools about this sort of path. Over the last 30 years this path has been not only ignored, but disparaged. So we spend a great deal of time doing pipeline development so we can introduce these careers not just to the students, but to the counselors, teachers and parents who are influencers.

Frazier also told a standing-room only crowd of economic developers from around the state they can help their communities by bringing students into potential apprenticeship pathways earlier through dual enrollment. “You’ve got to push that development back upstream,” Frazier said. “We don’t have a choice but to reach them younger. We need to start earlier to create the scale to meet the demand that we are going to see.”

Perhaps the greatest benefit to employers isn’t even the increased loyalty, Frazier offered, but the fact that younger employees will be better trained earlier. “There’s a 70-20-10 model,” Frazier said. “Ten percent of what we learn comes from text we study. Twenty more comes from learning from teachers or mentors in a class setting. It’s that 70 percent that comes from the master teaching the learner. So we equip companies to write their own training modules. They are the subject matter experts for the things that have to happen on their own floor.”

“We’re turning back a long-held perception,” McCord said, “but at the end of the day, you and I know it’s a way to make a great and noble living.” 

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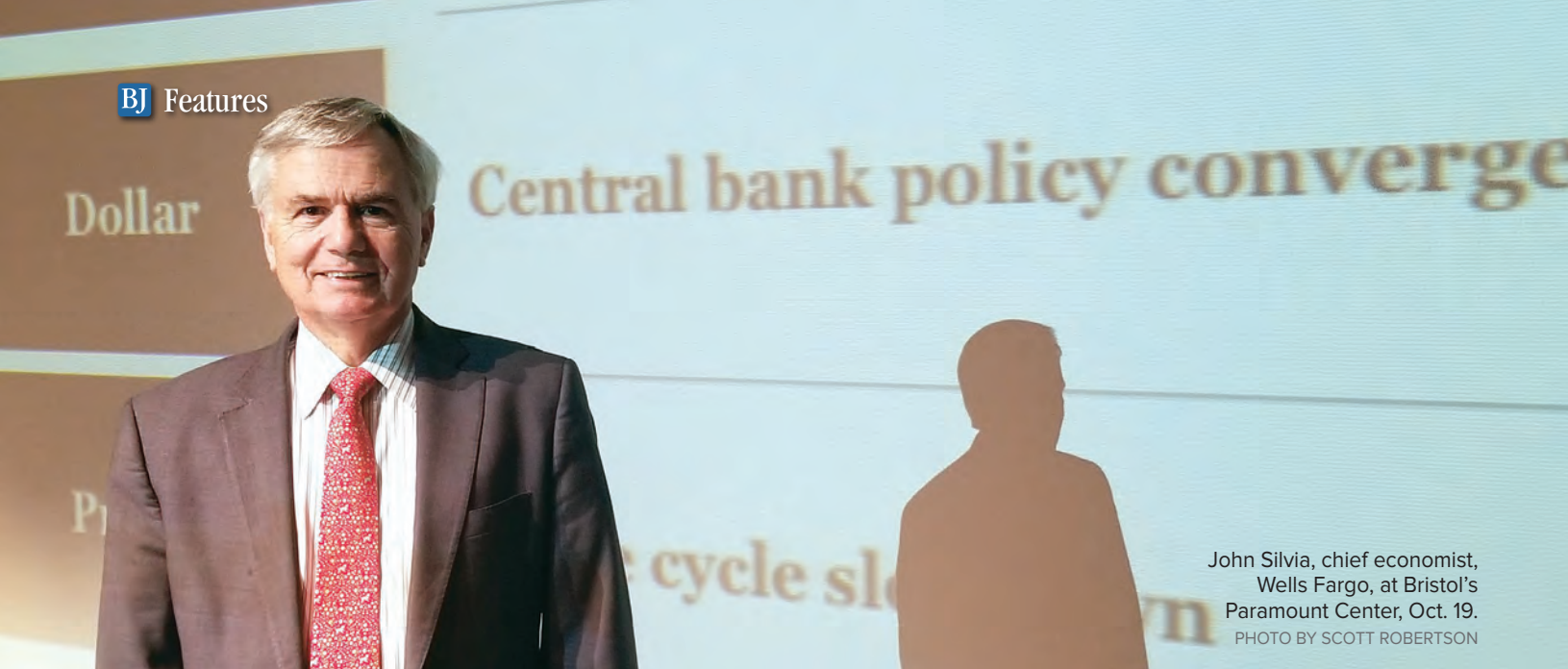


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John Silvia, chief economist,
Wells Fargo, at Bristol's
Paramount Center, Oct. 19.
PHOTO BY SCOTT ROBERTSON

Wells Fargo chief economist:

Interest hikes coming; willingness to embrace deficits is surprising

By Scott Robertson

The chief economist for Wells Fargo told a crowd of a few dozen businesspeople in Bristol last month that it's virtually a given that interest rate hikes are on the way, but that no one should hold their breath waiting for politicians in Washington to start putting hard economic realities ahead of political expediency in their decision-making processes.

John Silvia's overall outlook could be summed up as, "economic growth looks pretty good right now. Labor force participation rates and productivity are big barriers to stronger economic growth. We're looking at inflation modestly rising and the Fed raising interest rates in December, so we should still have a solid economy with no signs of recession on the horizon."

In crystal balling tax reform, Silvia said, "What really would make a difference is raising the standard deduction and dealing with the earned income tax credit and childcare credits. (Ed. Note: The proposed tax plan introduced two weeks after Silvia's Bristol comments doubles the standard deduction, makes no changes to the earned income tax credit, and increases the child tax credit)," Silvia said. "Those will make a big difference for middle income America without getting into the problem of tax cuts for the rich. If you focus on the middle-class family, then the standard deduction will make a really big difference."

Silvia had difficulty imagining deficit hawks like Senators Bob Corker and Rand Paul and members of the House Freedom Caucus accepting the deficits likely to accompany significant tax reform that isn't accompanied by cuts to entitlements. "Given our budget constraints and the deficits projected by the Congressional Budget Office, it's going to be pretty limited in terms of what you can do on tax reform."

Silvia expressed disappointment in the Trump administration for not having "gone after" entitlements already. "That is the problem with the budget," Silvia said. "I don't see from this

administration and this current Congress the willingness to really deal with that."

"Economics has to operate in a political and social environment," he explained. "One of the challenges in our economy is the whole movement of the baby boomers shifting the relative weight of those entitlements versus the rest of public spending. From an economics point of view, we have to deal with it. Maybe from a political point of view we can hope we don't have to deal with it because the Japanese and Chinese may buy all our bonds."

In looking at the CBO debt projections, Silvia said, debt and interest rates intertwine. "Our challenge is to sell a lot of this debt. There are three different buyers of treasury debt. One is the Fed. The Fed says they're going to shrink their balance sheet. So, you're going to sell more debt as one of your major buyers is shrinking? Not a good situation. Second is Japan and China. Politically and socially, to what extent are they going to continue to buy our bonds longer term? That's really an open question. Then there's the private sector. That's a real challenge when those interest rates start going up because the asset value of some of your bond notes is going to start taking a hit. So how willing is the private sector going to be to spend more money buying those bonds?"

"My bet," Silvia said, "is that over the next three to five years the benchmark probably goes up 150 basis points." Why not more? "We don't have any inflation to justify it and we still have a captive audience. Unlike 20 years ago, U.S. Treasury debt is oftentimes held as Tier 1 capital for a lot of banks like Wells Fargo. So as the banking industry grows, we have to own more Tier 1 capital. That gives us a built-in bias to buy treasuries."

Still, Silvia was asked again, why not push to address entitlements now? "You just have to understand," he said, "sometimes societies make decisions that from an economics point of view don't make any sense at all." ■

Washington finally gives community bankers reason to smile

By Scott Robertson

It's been a long time since the federal government has done much more than just talk about making life easier for small community banks. Hammered by Dodd-Frank and other post-Great Recession regulations, many of those banks have fallen by the wayside, generally by forced acquisition.

The Financial Regulatory Improvement Act of 2015 was a good example of Washington's inability or unwillingness to take action on community banks' behalf. In the November 2016 issue of *The Business Journal*, Tennessee Senator Bob Corker said he expected portions of that bill, which never reached then-President Barack Obama's desk, to reappear in legislation in 2017. And as recently as October 27, Corker was still talking about his eagerness to overturn portions of Dodd-Frank and his optimism it will happen sooner than later.

The last 30 days, however, have been a good month for community bankers, and Washington was to thank. On Oct. 24, the United States Senate, by a 51-50 vote (vice presidents remain undefeated all-time when casting votes in the Senate), overturned the Consumer Financial Protection Bureau's "arbitration rule." That rule, which was scheduled to take effect in 2019, would have allowed customers to sue financial institutions as part of class-action lawsuits, even when they had signed agreements in which they had agreed to submit to binding arbitration in place of taking action in the courts.

Then, on Nov. 2, President Donald Trump announced he would nominate Jerome "Jay" Powell, a governor on the Federal Reserve Board, to replace Janet Yellen as head of the U.S. Central Bank when her term expires in February 2018. Powell, an attorney and former private equity executive, is a popular choice among community bankers based on statements showing an understanding that regulation targeted toward the nation's largest banks can place an undue burden on smaller community banks.

In addition, Powell is not an economist by trade, which, coupled with his experience as a Fed governor, says John Silvia, chief economist for Wells Fargo (see p26 for more from Silvia) makes him uniquely "able to look critically at a lot of regulations that have

emerged."

The Powell pick was widely hailed by legislators as well. Tennessee Senator Lamar Alexander said, "Jay Powell has a broad background and is a sensible choice to lead the Federal Reserve Board. The President's decision, in my opinion, is a wise one." ■

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Region's manufacturers announce growth in October

The region's manufacturing economy got a boost in October from two expansions and one acquisition. Jarden Zinc will add jobs in Greene County, Techni-Glass will add jobs in Hawkins County. General Shale announced it will acquire Columbus Brick Co.

Jardin Zinc

Jarden Zinc Products officials announced in October the company will expand its operations in Greene County. The zinc products manufacturer plans to create 30 new jobs in Greeneville over the next five years.

"I want to congratulate Jarden Zinc on expanding in Greene County," Tennessee Economic and Community Development Commissioner Robert Rolfe said. "With this expansion, our manufacturing sector will continue to grow and excel in our state. I want to thank Jarden Zinc for bringing new manufacturing jobs to Greeneville and look forward to continuing our partnership."

Jarden Zinc, part of Newell Brands, is a manufacturer of solid zinc strip and zinc based products. The company was established in Greene County in 1970. Jarden Zinc produces coin blanks for currency in the U.S. and several foreign governments. Additionally, the company manufactures products for the automotive fuse market.

"We appreciate the support of our state and local government that allows us to grow our business and create jobs here in Greene County," Thomas Wennogle, President of Jarden Zinc, said.

With this expansion, Jarden Zinc will convert 10,000 square feet of its existing facility in Greene County to make room for new production equipment.

"The opportunity for existing business to expand within our community is tremendous for Greene County. We always enjoy ribbon cuttings for new facilities. However, it is a special time when we can stand alongside our neighbors and celebrate expanding businesses," Greene County Mayor David Crum said. "The expansion of an existing business with a history of being a good corporate citizen is especially rewarding."

Techni-Glass

Techni-Glass, Inc. officials announced October 23 the company will expand in Surgoinsville. The custom glass manufacturer will invest \$1.5 million and create 54 new jobs in Hawkins County.

"This is the third announcement we have had in Hawkins County since May," Rolfe said, "and it is great news that Techni-Glass is helping us continue this momentum in Hawkins County and the state of Tennessee by expanding here."

Techni-Glass manufactures double edging, CNC cutting, CNC milling, roll coating, tempering and laminating glass products. The company's highly trained and experienced staff applies glass fabrication capabilities in a variety of ways and serves many industries including sports and recreation, food services and home kitchens.

"Techni-Glass opened in 1997 with only five employees doing only glass screen printing in a 15,000-square foot facility. I am thrilled Techni-Glass has grown so much in its 20 years in Hawkins County and is in its fifth expansion," Techni-Glass

President and CEO Pat Murphy said. "I am extremely thankful for the exceptional cooperation and support from the State of Tennessee and the individuals from NETWORKS Sullivan Partnership and the Hawkins County Industrial Development Board who assisted Techni-Glass in its expansion."

Techni-Glass plans to renovate its current facility in Hawkins County. With this expansion, the company will add 15,000 square feet to its existing operations to make room for new equipment.

"I would like to thank Techni-Glass for its continued support and investment in Hawkins County," Larry Elkins, Hawkins County industrial development board chairman, said. "This just proves that Hawkins County remains strong in job creation. We are excited about this expansion and look forward to the positive impact these jobs and investment will have on the citizens of Hawkins County. We are positive Techni-Glass will remain strong and continue to grow and prosper."

General Shale

General Shale announced Oct. 31 it has acquired Columbus Brick Company, a family-owned manufacturer located in Columbus, Mississippi.

"Along with introducing a unique, premium brick line into General Shale's product offerings, Columbus Brick Company brings a well-cultivated customer base that spans 18 states," said Charles Smith, president and CEO of General Shale. "Columbus Brick delivers a long track record of high-quality products, as well as distribution channels that ideally complement our own delivery system. The acquisition provides General Shale with the opportunity to increase our U.S. footprint through additional locations in the Midwest and South, and we are excited to bring this outstanding company under our umbrella."

Columbus Brick Company is a fourth-generation company that manufactures a variety of face bricks and custom shapes in a broad range of colors, textures and styles for residential and commercial applications. Established in 1890, the company is the only U.S. brick manufacturer to offer genuine paper cut brick. Columbus Brick can manufacture a maximum of 140 million brick units annually and employs 75 individuals.

"This acquisition demonstrates General Shale's commitment to advancing our mission, which is to remain the preferred solutions provider of building materials in North America," Smith said. "It also ensures Columbus Brick's exceptional masonry products will remain in the marketplace for many more years to come." **BJ**



Smith

GO Virginia issues call for projects in need of funding

\$500,000 available for projects that fund region's economy


The wait is over for entrepreneurs who believe they have a great idea for a business that could create jobs and economic opportunity in Southwest Virginia. The GO Virginia Region One Council, which includes the counties of Lee, Scott, Wise, Dickenson, Buchanan, Tazewell, Russell, Smyth, Washington, Wythe, Bland, Grayson, Carroll and the cities of Norton, Bristol and Galax, is now accepting applications for funding projects that could boost the region's economy.

Projects funded will address one or more of the Council's target areas, which include growing and strengthening industry sectors including advanced manufacturing, agriculture/food and beverage manufacturing, information and emerging technologies as well as energy and minerals through activities such as talent development and retention, increasing innovation and infrastructure development.

Approximately \$500,000 is available for funding projects in GO VA Region One and \$11.1 is available for competitive projects across the Commonwealth. Region One anticipates funding projects in varying amounts with project periods not exceeding two years.

Each project requires a dollar for dollar match, which must

come from a non-state appropriated source such as non-state public entities, federal or local funds, private sources or in-kind contributions. Additionally, the goal of the State GO Virginia Board is to promote cross-jurisdictional collaboration. At least two or more localities (counties or independent cities) must be engaged in the project by contributing 20 percent of the required match, or \$50,000, whichever is greater, for each proposed project. This may be waived by the GO Virginia State Board to half of the required amount, upon a finding of fiscal distress or an exceptional economic opportunity within the collaborating localities.

The primary purpose of GO Virginia is to create higher paying jobs (greater than the annual average wage of the region which is \$33,865). Projects to be funded must align with the Region One Growth and Diversification Plan, which may be found at (uvawise.edu/uva-wise/administration-services/office-economic-development/go-virginia-region-one-council/). The application period began Oct. 31 and runs through 5 p.m., Dec. 11. A detailed applications packet including program guidelines may be found at the same web address. 



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Faith in the Future honorees named

The winners of the 2017 CenturyLink Faith in the Future Awards were recognized at a luncheon event coordinated by CenturyLink and The Chamber of Commerce serving Johnson City-Jonesborough-Washington County. Recipients were evaluated based on their commitment to the future of their business, their employees, their community and the region.

Preston Construction Company was honored in the Entrepreneur category. The company has been in business locally for 50 years. CASA of Northeast Tennessee received an award in the Non-Profit category. Since 1985, CASA has recruited, trained, monitored, and supported quality volunteers to serve the abused and neglected children in juvenile courts of our community.

Silver Angels received an award in the Healthcare category. The firm is a service provider for elders who can no longer take care of themselves at their homes.

In the Manufacturing category Crown Laboratories Inc. received an award. Crown's mission is to positively impact the lives



The 2017 class of Faith in the Future award winners is the eighth class of honorees named. PHOTO BY JEFF DERBY

of all the people it touches, from its employees to the community. Crown makes Blue Lizard Sunscreen. In the Professional/Service category, First Citizens Bank received an award. For more than a century, First Citizens has grown based on fundamental values of working hard, working with integrity, listening to what customers have to say and taking a long term view.

In the Technology category, WebCoUSA Enterprises received an award in the Technology category. The company delivers website solutions and customer support. In the Education category, ETSU Bill Gatton College of Pharmacy received an award.

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Home for the Holidays		
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Mary B. Martin Auditorium Seeger Chapel Milligan College		
December 9, 2017		
Saturday, 7:30 p.m.		
Josh Smith and the Appalachian Chorus		
SECTION	ROW	SEAT

Johnson City Symphony Orchestra		
SECTION	ROW	SEAT
Johnson City Symphony Orchestra		
Master Classics III		
ETSU Opera Workshop		
Karen Smith, Director		
Mary B. Martin Auditorium Seeger Chapel Milligan College		
February 10, 2018		
Saturday, 7:30 p.m.		
ETSU Opera Workshop Karen Smith, Director		
SECTION	ROW	SEAT

Bring Donations for Second Harvest		
SECTION	ROW	SEAT
Johnson City Symphony Orchestra		
Master Classics IV		
Russian Romance		
Mary B. Martin Auditorium Seeger Chapel Milligan College		
March 24, 2018		
Saturday, 7:30 p.m.		
Russian Romance		
SECTION	ROW	SEAT

The Music of John Williams		
SECTION	ROW	SEAT
Johnson City Symphony Orchestra		
The Music of John Williams		
Location to be Determined		
May 19, 2018		
Saturday, 7:30 p.m.		
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SECTION	ROW	SEAT

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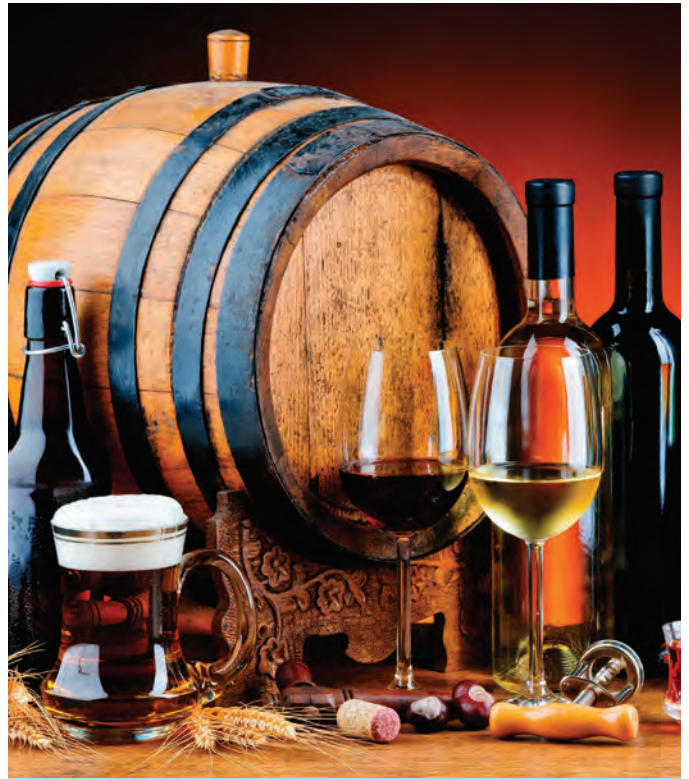
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No. 1 with a bullet – and brunch

By Scott Robertson



Sarah Goodpaster and Jason Reed



Frontman Luke Spiller and the Struts performs at Wild Wing Café in Johnson City Oct. 16. PHOTOS BY SCOTT ROBERTSON

Because of changes in the economics of touring, it's been some time since the No. 1 band in America played a live show in the Tri-Cities. The venues built to house such shows are not viable in today's marketplace. In fact, in a recent documentary, a tour manager who has been working since the 1970s looked back with nostalgia on the days when he could book moneymaking gigs, "playing Johnson City, Tennessee."

But a couple of young professionals in Bristol and Johnson City have found a way to make it happen. Wild Wing Café in downtown Johnson City and the Bristol Broadcasting Co., radio station known as 99.3 the X have been bringing top touring rock bands into the Tri-Cities to play shows during the brunch and lunch hours on weekdays. They did it in August and again in October. Sarah Goodpaster is promotions manager at Wild Wing Café. Jason Reed is program director at 99.3 the X. What they're doing is the kind of idea that sets the region apart – in a good way – with the young professionals whom economic developers say they want raising families here. The idea that one can have lunch downtown while the band that has the No. 1 song in America performs in the same room is pretty cool.

In Reed's case, it was a question of maximizing the impact of having these bands pass through the area. Take the Aug. 22 event in which the group called Portugal, the Man played a brunch show. Portugal, the Man at the time had the top selling single in America, a catchy little ditty called "Feel it still." The band was already scheduled to play a venue called The Orange Peel in Asheville the next night. Now, record labels tend to offer radio stations along their bands' tour routes a chance to have the bands in studio, talking with the D.J.s and playing acoustic versions of

their hits, so getting the bands into the Tri-Cities isn't a problem. Getting those bands onstage, however, is a different matter.

The Orange Peel, like many other venues, reportedly protects itself from bands overbooking themselves by having a 100-mile limit. No band that plays their venue can play another paying gig within 100 miles. This keeps a band from playing a \$30-a-ticket show in Johnson City the night before they are scheduled to play a \$40-a-ticket show at The Orange Peel. It's sound business, but it keeps a lot of great acts from playing the Tri-Cities.

Reed, however, went to Goodpaster with the idea of a free show – not a paying gig – that would bring music fans to her restaurant while making better use of the band than just having the members sit in the studio talking with a D.J. The record labels have been eager to go along.

"This is a free show. There's no ticket sales involved," Reed explains. "So the show doesn't take away from The Orange Peel. When you go to The Orange Peel, you're going to see The Struts or Portugal, the Man play a full set. Here, they play three or four songs in an acoustic setting." It's what the band would be doing in studio, only they do it for a live audience that also buys brunch or lunch.

It's good for the station. It's good for the restaurant. It's good for the band. But it's great for economic developers and business recruiters trying to bring young families here to grow the region's economy. BJ

Mountain Commerce Eclipses \$700 Million in Total Assets



MCB's Bearden Financial Center c/o Northshore Drive and Kingstone Pike



Bearden Financial Center Lobby

By David Metz

At the start of its second decade, Mountain Commerce Bank (MCB) has exceeded a notable and impressive milestone, one being hailed by the bank's staff, management and board of directors.

This fall, the community bank, born in upper East Tennessee and headquartered in Knoxville, surpassed the \$700 million mark in total assets. To give you a sense of perspective, when MCB's parent company acquired Erwin National Bank in 2006 and changed its name to Mountain Commerce Bank, the asset value stood at \$80 million.

In case you don't have a calculator handy, that's a nine-fold increase in just over a decade, a milestone made even more impressive when you consider that MCB's brief history includes our nation's most recent economic recession.

To what does the bank's leadership attribute this extraordinary progress?



Bill Edwards is MCB's president and chief executive officer. From his perspective, the bank's steady march toward three-quarters of a billion dollars in assets can be ascribed to two of its primary differentiators.

"At MCB, we pride ourselves on what we refer to as Responsive Relationship Banking," Edwards said. "We're available to—and engaged with—our customers. We're attuned to their needs, and we partner with them to foster their financial hopes and aspirations, personal as well as business."

Edwards added that many of MCB's customers—which include professionals and owners of small- and medium-sized companies—also appreciate the principal hallmark of a community bank. They value the idea that deposits stay close to home and more than likely will be loaned to a neighbor or friend. "The net result of that economic circle is an enhanced quality of life for all who live in our area," he said.

In addition to strong one-on-one customer relationships, Edwards said that the bank's focus on convenience in today's fast-paced world also sets it apart.

"Throughout MCB's history, we have continuously sought to add the latest in customer-focused banking technology. In fact, we recently introduced online account opening to our suite of mobile offerings," said Edwards. "In as little as fifteen minutes, with a few easy clicks, you can open an MCB account from your smart phone, tablet or laptop."

This latest capability joins MCB's other advanced technology features: mobile deposit, remote deposit, bank-to-bank payment, online bill payment, e-statements and the ability to check account balances from anywhere. "Plus, at MCB we have no ATM fees," Edwards highlighted. "So, accessing your money, regardless of where you are, is simple and free."

Dwight B. Ferguson Jr. is MCB's board chairman and a member of the bank holding company board. He suggested that the confluence of several external factors has also contributed to the bank's impressive growth.

"East Tennessee is a market on the move," Ferguson said. "The fundamentals of our regional economy are strong and include major universities, a national laboratory, noted manufacturing and media companies, healthcare systems, and of course the travel and tourism trade that surrounds the Great Smoky Mountains."

That economic backdrop and the market's favorable demographics, combined with MCB's focus on relationships and convenience, he said, have allowed the bank to maximize its opportunities.

"We're also fortunate to have a talented, experienced, locally based board of directors," Ferguson noted. "Dedicated business leaders like the Tri-Cities' Frank Wood, Wendell Kirk, Sam Widener and Wade Farmer have helped guide our bank's strategy and—for more than a decade—kept us moving forward to greater growth and prosperity."

MCB's year-to-date performance through the first three quarters reflects a profit of \$5 million dollars, an improvement of 45% over the same timeframe last year. "As we enter the fourth quarter, we anticipate at year-end our total assets will be in line with historic averages," president and CEO Edwards said. "That means we will be in the 15%–20% year-over-year growth range."

Edwards praised the entire MCB team for their efforts in delivering such an impressive performance. "Each MCB location is staffed by friendly, courteous and professional team members," he said. "They work diligently to deliver on our promise of unparalleled hometown customer service and the latest technological advances. I couldn't be prouder of their efforts."

Mountain Commerce Bancorp, Inc., a bank holding company and the parent of MCB, trades on the OTCQX Market under the symbol "MCBI." Both the bank and the holding company are headquartered in Knoxville where the bank also operates two branch locations. Bank branches are also located in Johnson City and Unicoi County.

Call MCB today at 1-866-MCB-1910 or visit MCB.com/Tri-Cities/

On the Move

Advertising & Marketing

Branding Iron Marketing, Advertising and Public Relations, (Branding Iron) has welcomed **Hannah Sneed** as the newest member of its staff. Sneed has assumed the role of marketing coordinator in which she will assist with trade show coordination, social media creative and analytics, and manage various other office responsibilities. Sneed comes on board with a diverse background in sales, trade show, and client management experience.



Hannah Sneed

“Sneed is a wonderful addition to the team,” according to Branding Iron Director of Trade Shows and Events Sheila Reed. “We are always looking for ways to add value for our clients and expanding the trade show staff and services will help them tremendously.”

Prior to joining Branding Iron, as an associate for the leading wholesale distributor for spa supplies and equipment, Universal Companies Inc., Sneed made top sales numbers for her team, assisted in managing corporate accounts for reputable hotel chains, product testing, and participated in the largest industry trade show, IECSC Las Vegas.

“I am excited to switch gears and delve deeper into the trade

show and marketing industry, and couldn't be happier to team up with Branding Iron,” said Sneed.

Sneed brings with her a great set of organizational and detail oriented skills that together will benefit the trade show division of Branding Iron.

“Overcoming the challenges of social media marketing for B2B companies is of special interest to me,” said Sneed. “I believe the biggest challenge lies in seeing this marketing channel as only a form of sales and leads. If clients can move beyond treating social media as only a sales tool and see it as an opportunity to create community with clients and industry partners, sales and leads can easily fall into place. The customer loyalty that becoming a source of valuable industry content fosters shouldn't be ignored.”

“The key to making social media a success is assuring that content is relevant to the end user and useful,” added Branding Iron Co-Founder Scott Emerine. “I am looking forward to Hannah bringing new idea, concepts and creativity to our clients along with her support of our growing trade show services division.”

Banking & Finance

FTB Advisors has named **Derek Brown** as a new financial advisor in Johnson City, Tenn. Brown has worked in the financial services industry since 2006 and will focus on providing retirement income planning. He holds a Bachelors Degree from the University of Tennessee, Knoxville in addition to licenses for

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Derek Brown

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First Community Bank has announced the promotion of **Freddy Sullivan** to commercial team leader of the Abingdon, Va., market. Sullivan said, "It's a privilege to work with such an empowered team within an organization that continues to grow, believe in, and invest in our local economies. I look forward to being a part of future milestones and future achievements of our organization."



Freddy Sullivan

Market President Mike Ratliff said, "We are very proud to announce Freddy Sullivan's promotion into the commercial team leader role for the Abingdon Division of First Community Bank. Freddy is an experienced and successful lender who works extremely hard to provide the best customer service and financial solutions for his clients. I look forward to Freddy leading our commercial/small business lending team and growing First Community Bank's presence in Southwest Virginia."

Sullivan earned an Associate Degree in Information Technology from Virginia Highlands Community College in Abingdon and earned a Bachelor of Business Administration degree in Finance with a concentration in Banking from East Tennessee State University in Johnson City, Tenn. He's also a graduate of the Virginia Bankers School of Bank Management at the University of Virginia in Charlottesville.

Sullivan is a member of the Tri-Cities Rotary Club, and he is also a member of the United Way of Bristol board where he serves on the finance committee. He received the 2013 Leadership Service Award from the Bristol Chamber of Commerce, where he was a graduate of the LEAD Bristol leadership training program for business professionals.



Brooke Story

Brooke Story has accepted the position of business and commercial support specialist with First Citizens Bank of Johnson City, Tenn. She will assist the market executive, Kristan Ginnings, and will support her business and commercial banking clients.

Story is from Jonesborough, Tenn., and brings more than a decade of experience in the financial industry to her role. Prior to joining First Citizens Bank in 2015, she worked for Citi

in Gray, Tenn., in a variety of roles. Story has been active in her native community helping with United Way, Johnson City Chamber, and volunteering in the Washington County, Tenn., schools.

Consulting

Summit Management Consultants, a division of The Summit Companies, has promoted **Curt Henry** to the position of Managing Director. In his new role, Henry will focus on continued customer

SEE DEPARTMENTS, 42

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DEPARTMENTS, CONTINUED

service excellence and offerings of Summit Management Consultants.

Henry joined the Summit Companies with more than 30 years of experience in 2015 as part of a team of executive consultants helping businesses in a variety of fields.

Eric Fields, president of The Summit Companies said, "Summit is pleased to name Curt as the managing director of Summit Management Consultants. Curt has played a leading role in Summit's growth since 2015 and has made many valuable contributions in shaping the services of offerings of our Management Consulting team. We look forward to his leadership in the years to come."

Before joining Summit, Henry was already a seasoned business executive with seven years of general management experience and more than 20 years in domestic and international marketing and sales. Moreover, in 2000, he was chosen to lead the turnaround of a local manufacturing company. Over the next six years, Henry and his team increased revenues almost two-fold, improving both profits and cash flow.

Henry received his Bachelor's of Science in Electrical Engineering from Pennsylvania State University and his Master of Science in Business Administration from Robert Morris College.

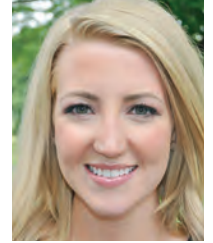


Curt Henry

Henry said, "I have been proud to be a part of the Summit team since 2015, and I look forward to working as the managing director of Summit Management Consultants. I truly appreciate every client we can help realize their organizational and professional goals. I look forward to working in this position to continue that success."

Research

Smarty Pants has announced that **Alex Quillin** has joined the organization as a research associate. In this position, Quillin serves a pivotal support role on in-person and virtual consumer research initiatives. She helps to conceive, execute, and analyze research, and create design-driven deliverables. Her client portfolio includes many of the company's leading clients in the entertainment, healthcare, CPG, and food and beverage categories.



Alex Quillin

"We are elated to add Alex to our expanding Smarty Pants team," said Smarty Pants executive vice president, Alisha Snow. "Alex embodies the perfect balance of strategic insight and creative flair. She has a natural talent for developing research tools and deliverables that are visually impactful and strategically compelling."

Prior to joining the Smarty Pants team, Quillin flexed her creative and account management muscle at The High Road Agency,

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a digital marketing firm based in Johnson City, Tenn. There, she excelled at copywriting, conducting social media strategy research, facilitating training workshops, and speaking at business events. She now leverages those talents as the company's in-house social media expert when she is not supporting custom research.

A native of Kingsport, Tenn., Quillin is a magna cum laude graduate of East Tennessee State University. She is based in Johnson City, but will lead the company's expansion to the Greenville, S.C., area in the coming months.

Awards & Achievements

Johnson City News & Neighbor repeats strong showing in national awards competition

The *Johnson City News & Neighbor* has won five top awards, including two second-place honors, in national newspaper annual competition. The newspaper competed against 1,000 entries from across America and Canada during presentation ceremonies in New York City.

The paper won second-place in self-promotion in the Electronic Media and Social Media category, with a graphic naming our local communities with images of clocks, all on the same LOCAL time emphasizing N&N's hyper local news coverage. N&N placed second for another self-promotion ad category published in the



newspaper. The ad showcased a vertical stack of newspapers showing the total home circulation of the N&N as the largest home-delivered newspaper of any newspaper, daily or weekly, between Knoxville and Roanoke, a distance of 289 miles. The ads were created by Graphics Director Judd Shaw. Other awards came in Best Front Page Design (third place) showing the ETSU basketball team winning the Southern Conference championship; Editorial (third place) Local Business Coverage for the entire May 3, 2017 edition and Best Free-Standing Promotion Guide or Planner (third place) for the glossy magazine *Johnson City Area Home Builders, JCAHBA Builders' Showcase of Homes* 2016 edition.

The results were announced during a joint annual meeting that included the Independent Free Papers of America and Southeastern Advertising Publishers Association. The showing – for content published between July 1, 2016 and June 30, 2017 – marked the third straight year *News & Neighbor* has

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DEPARTMENTS, CONTINUED

collected multiple top awards in the national contest, which were judged by professional graphic artists and editorial judging by three national professional journalists.

“The repeat performance in journalism, news reporting, graphic design and website honors all stem from a concerted effort to provide more relevant news and editorial coverage while maintaining *News & Neighbor’s* important role as a community newspaper,” Publisher Bill Derby said. “The national awards are significant when professionals in our industry recognize the quality of work we do. Our readership is a huge value to our customers and our journalism excellence is a value to our readers and community. When you consider the number of entries from America and Canada, it’s something to be proud of. We competed with huge newspapers from St. Louis, Phoenix, Tulsa, Dallas, Jacksonville, Bakersville and cities in Canada.”



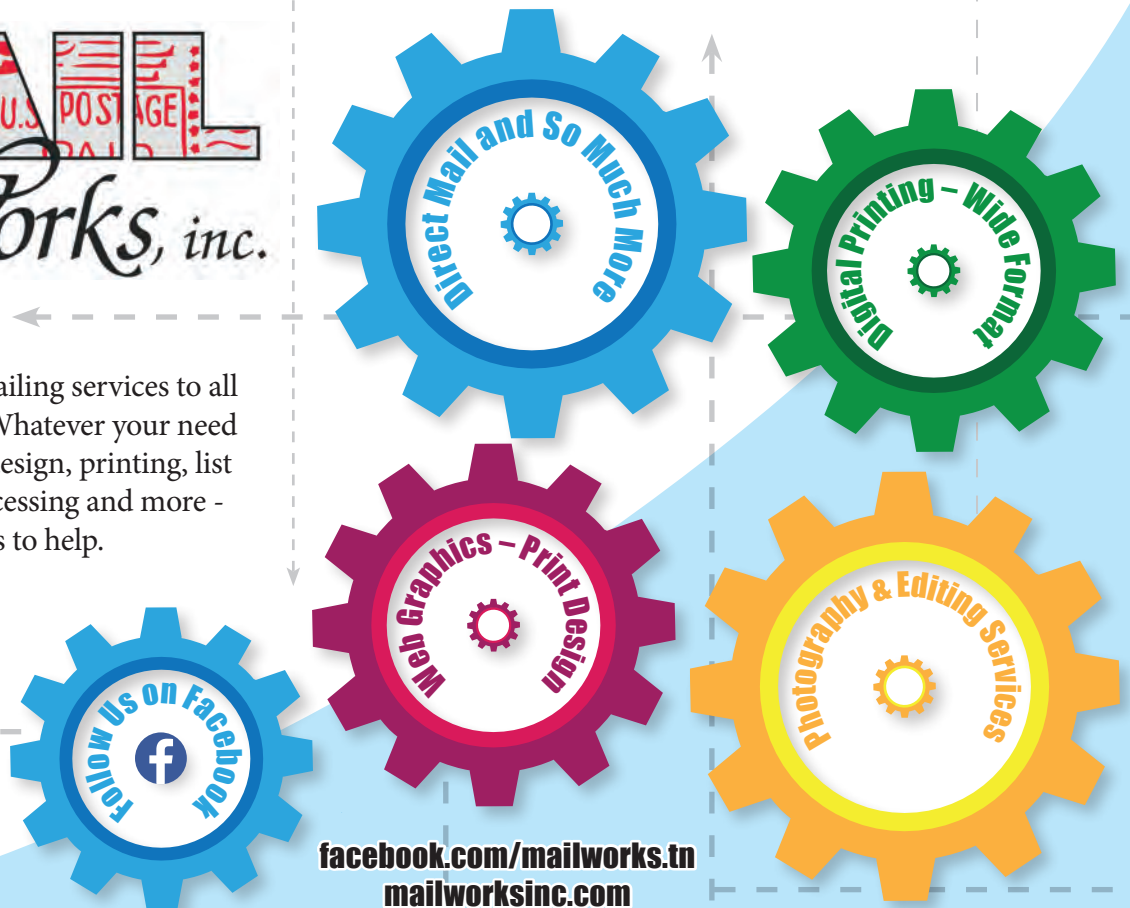
Derby said, “We are a rare breed in the Tri-Cities region as the only locally owned major media. The majority of our employees play a very active role in our community along with serving on numerous boards. Serving our advertising customers and local readers is meant to be the main beneficiaries as the paper mixes its traditional positive community features with fair, thoughtful and tasteful news.”

The publisher added, “People are looking for news stories that exhibit professionalism and a concern for the community; that can ask hard questions and report difficult issues without resorting to a ‘Gotcha Approach.’”

“I would like to also congratulate our excellent hard-working staff for their creativity, dedication and the responsibility we have to make our community a better place to live,” Derby concluded. *Johnson City News & Neighbor* is the sister publication of *The Business Journal of Tri-Cities TN/VA.*



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The Johnson City News & Neighbor

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*Source: Dec. 2016 CVC Publication Audit Report.

Ballad merger must benefit ‘the least of these’ to succeed

By Jeff Keeling



Sometimes the effectiveness of grand plans is best gauged by their effects on people in humble circumstances.

Shortly after Mountain States Health Alliance and Wellmont Health System announced they hoped to merge, I asked a physician friend her thoughts about the prospect. “It could be the best thing that ever happened and it could be the worst thing,” she said.

It appears we will find out which of these is closer to the truth. The Federal Trade Commission (FTC) announced Nov. 1

it had issued a public notice soliciting academic and industry research “on the impact of certificates of public advantage (COPA) on prices, quality, access and innovation for healthcare services.” That suggests to me the agency that produced reams of opinion opposing the merger might be ready to look at the concept of highly regulated mergers with a fresh (albeit highly skeptical) eye, and not planning an immediate court challenge.

So when my spritelike granddaughter Emmarie Lyn Chandley celebrates her 10th birthday in September 2023, just how will we know whether Ballad Health has been closer to the best thing that ever happened than it has been to the worst thing?

The outpatient provider marketplace should tell us something. Will independent physician groups be a thriving, competitive complement to Ballad and its own practice groups, or will they be struggling and feeling squeezed out? The state of medical higher education and research funding will be another indicator. So will Ballad’s published quality metrics, and the new system’s success in complying with Tennessee and Virginia’s stringent regulation and oversight.

How many unnecessary duplicative services will have been eliminated? Even before the systems announced their intentions, early merger advocate Bill Greene said “blood in the creek” would be needed for a merger to succeed. If people with territory to protect manage to keep their oxen from getting gored, Ballad will squander resources that should be redirected into, among other things, population health efforts, pay raises for rank and file employees, and creation or expansion of jobs and service lines that make health care more accessible and affordable.

Quality, access and affordability matter to everyone, no doubt. They matter much more to the many people in this region struggling to have decent, healthy lives.

The people driving the merger process don’t need a merged

system to succeed as much as the rank and file Ballad employees do. The former are risking their reputations. The latter need good, living wage jobs for a system that is making health care more accessible, affordable and effective for working class, elderly and vulnerable people.

Specialists and those who sell artificial knees or the latest medication being advertised direct to consumers on TV don’t need Ballad to succeed as much as does a 63-year-old woman with type 2 diabetes on a fixed income who lives up a holler somewhere. The former want to avoid loss of income. The latter needs a healthcare system that helps her manage her condition affordably in a way that extends her life and improves its quality.

The local leaders living in affluent neighborhoods who lined up to cheerlead for the merger don’t need Ballad to succeed as much as the uninsured, 13-year-old at-risk student in the Kingsport City Schools who still dreams of being a nurse practitioner someday. The former want the business climate to improve. The latter needs quality primary and preventive care, an environment that lowers her risk of substance abuse or unwanted pregnancy, and an understanding that yes, she can achieve her career and life goals.

I don’t mean to impugn the motives of our area’s more affluent citizens, but it’s everyday folk who will truly benefit or suffer depending on the relative success of this experiment in state-regulated monopoly. The wealthiest can always fly to Duke or Vanderbilt or Johns Hopkins if things aren’t going well here. Tennessee and Virginia’s conditions and regulatory oversight mechanisms for Ballad appear to recognize that. Implemented and enforced, they should help make the merger a positive for the average citizen.

Vulnerable people in this region are our neighbors, whether they live down our street or not. They are many, and health care is one area where their needs are great. We’ve been approaching provision of health care under a free market-centric paradigm for a long while now. That paradigm appears set to shift in our region. And to judge from the long run-up to this “end of the beginning” we’ve reached, the whole country will be watching and learning.

I pray for vision and endurance for those who will carry out this Herculean task; for wisdom and prudence for those who will oversee and regulate it; and for protection, prosperity and wellness for all of us, from the least to the greatest, who will live with the outcomes.

Jeff Keeling is vice president of communications for Appalachian Community Federal Credit Union and former associate editor of the Business Journal.



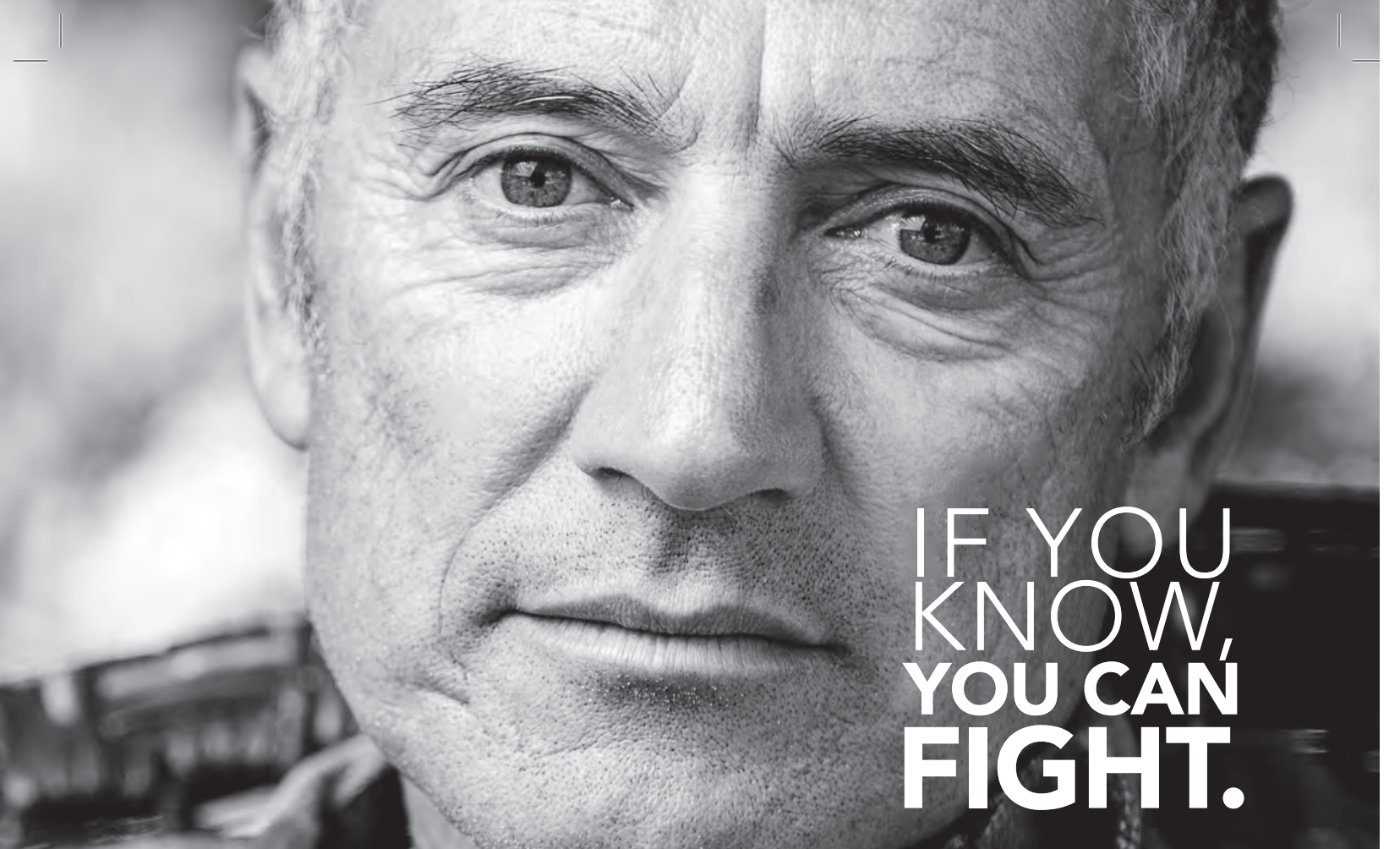
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