

The Business Journal

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Northeast State rights the ship

Moving from layoffs and supply rationing to groundbreakings and new partnerships in one year

Financial Services
Edition *and*
Holiday Gift Guide


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COVER STORY



Like a phoenix

A year ago, Northeast State was \$5+ million in the hole. Today, the college is breaking ground on a new \$30+ million building.

Photos by Tara Hodges, Sweet Snaps Photography.

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Please hold the hand-wringing



Since McGhee-Tyson Airport (the airport serving Knoxville) announced it had hired then-Tri-Cities-Airport (TRI) Director Patrick Wilson away on August 31, a few folks in the business community have asked me whether I believe the Aerospace Park initiative – regionalism’s hallmark – is in

any danger of falling through.

Let me be clear. Oh, Good Lord, no. If anything, just the opposite. Aerospace Park appears to be picking up steam.

The main reason is that while Wilson oversaw all the day-to-day activities at the airport, he had a remarkably capable staff, none of whom has given any indication they plan on going anywhere. Where Aerospace Park is concerned, that staff, including Interim Director David Jones, the former operations director, is all in.

Jones reported to the Airport Authority at its Oct. 25 meeting that the staff has already submitted a grant application to the Tennessee Department of Transportation. “We were a little short of the funding to do the final push to fund the entire Aerospace Park project last year,” Jones said. “So, we are circling back to get the balance if we can from the TDOT grant fund this year. The application was submitted last Thursday.”

The airport has \$1.4 million on hand to add to the applied-for \$1.7 million in Aeronautics Economic Development Fund dollars. That would allow for completion of all the grading and infrastructure work on the entire site.

Jones told the authority he believes there is a “good chance” the TDOT grant will come through. “I think there will be about \$20 million (in total Aeronautics Economic Development Funds) distributed across the state. They recognized last year the value of our project and I would hope that this year,

they would say, ‘Well, for \$1.7 million, Tri-Cities is pushed to the finish line with this particular development.’”

The airport authority will know by the end of this year, and Jones said the staff will be ready for it. “If that grant comes to us, we want to have the ability of the chair and the legal counsel to sign that grant and return it as soon as possible.” To that end, the authority gave the chair and legal counsel the power to sign the necessary documents to receive the grant funding as soon as the state decides.

Could the state decide against spending those grant dollars at the TRI? Yes, but as even Wilson, who will be moving to a competing airport before October is out said, “We should recognize the team effort of the staff, between Mark (Canty), Kristi (Haulsee) and David, they have put together a quality document. I have seen some of the other grant applications, and they don’t rate in comparison to this document.”

Canty has been in charge of marketing Aerospace Park. In the last few weeks, he has attended three major trade shows which were all sponsored in part by the Aerospace Park brand. Canty told the authority he made contact with serious candidates to locate facilities in the park when it is completed, including companies who would bring foreign direct investment to the site. Between Canty’s efforts and those of the region’s economic developers, most notable NETWORKS Sullivan Partnership, which attends trade shows with airport personnel, there is no lack of effort to find the right tenants for the site.

Meanwhile, Haulsee has been working to bring additional business to the airport through the potential addition of more passenger flights. She declined to speak in a public meeting about the state of negotiations with the most likely new carrier, but when one authority member asked if she was getting “warm fuzzies” from them, she nodded affirmatively.

In the meantime, the search for Wilson’s replacement is underway, and the authority feels it has the right headhunting firm working on it. It’s the same firm that put Wilson in Knoxville.

Sullivan, Washington County mayors forming task force



Jason Berry, Joe Grandy and Richard Venable



Carolyn Ferrell, Kathy Pierce and John Abe Teague

Noting the successful joint local government management of Tri-Cities Airport and freshly broken ground on Aerospace Park, Sullivan County Mayor Richard Venable and Washington County Mayor Joe Grandy are establishing a working committee to explore new areas for regional cooperation. The mayors convened a joint work session Oct. 18, with both county commissions at the Airport.

“For now, it’s a historic start where we have both commissions meeting and breaking bread together for the first time, learning about each other as we begin thinking about how we can improve our communities through cooperation,” Venable said.

Grandy added he believes in the ability of Northeast Tennesseans to compete, and local governments should cooperate across political boundary lines to set the stage for their success. “The state of Tennessee will always be an important player in economic development, but if we’re really going to pick our game up, we’re going to have to do it by working together locally.”

“We have natural beauty and a low-tax, low-crime environment ideal for young families,” Grandy said. “What we don’t have are the tools that attract new business start-ups. “But there are other areas



Dr. Brian Noland and Andy Dietrich

we will be looking at for potential regional cooperation, possibly including existing business development, tourism promotion and traditional industrial development. Today is just the start.”



John Campbell and Barbara Allen



Ken Maness, Dr. Jon Smith and Alan Levine



Greg Matherly and Patrick Wilson

NE Tenn. Sept. home sales up 15.6% from last year

Northeast Tennessee's September home sales made an expected seasonal decline from a robust August. At the same time the less volatile year-to-year and year-to-date numbers show a market still strongly in record-setting mode.

There were 624 single-family resales closing in September, down 61 from August according to the Northeast Tennessee Association of Realtors (NETAR). Last month's average sale price was \$177,448, up \$4,845 (2.8 percent) from last year. The more telling numbers are: September's closings were up by 84 (15.6 percent) when compared to September last year. And so far this year there have been 5,186 closings, 480 more closings than there were during the first nine months of last year – a 10.2 percent increase. "Some slowing is typical for this time of the year," said NETAR President Aaron Taylor. "Still, the sales trend combined with current economic conditions point to a market that still has room for more short-term growth."

New listings are slowly increasing. They outnumber pending sales, so there's a little inventory relief in sight. Mortgage rates are increasing and promise to continue increasing into next year, Taylor added. Higher rates typically move the market higher because buyers want to lock in the best rate they can get before the next increase. Plus, more owners think now is a good time to sell.

So far this year, sales in all but two city markets and one county market have exceeded last year's totals. The average sale price is down in four of the region's seven city markets and three county markets.

The average single-family resale that closed in September was on the market for 106 days. "That's a regional average," Taylor said. The time on market was much shorter in some of the individual city and county markets. For example: the average single-family resale in Sullivan and Washington Co. TN was on the market for 64 days.

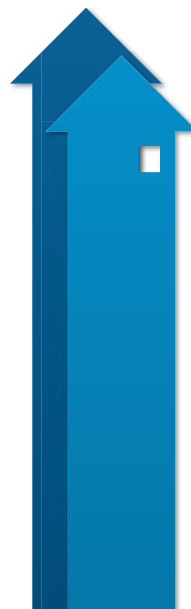
Here's a capsule look at local market trends based on the year-to-date city and county single-family resales and average prices compared to the first nine months of last year:

CITY MARKETS

- Johnson City: Sales 655, up 51. Avg. price - \$227,804, up \$3,684.
- Kingsport: Sales 629, up 109. Avg. price - \$179,804, down \$4,546.
- Bristol, TN: Sales 253, up 16. Avg. price - \$158,315, up \$15,375.
- Elizabethton: Sales 152, Up 9. Avg. price - \$125,578, down \$9,327.
- Greeneville: Sales 142, up 9. Avg. price - \$135,651, down \$2,298.
- Bristol, VA: Sales 134, down 11. Avg. price - \$125,535, up \$11,823.
- Erwin/Unicoi: Sales 120, down 7. Avg. price - \$147,347, down \$15,239.

COUNTY MARKETS

- Sullivan: Sales 1,518, up 131. Avg. price - \$171,626, up \$4,964.
- Washington, TN: Sales 1,355, up 85. Avg. price - \$217,071, up \$9,676.
- Greene: Sales 497, up 37. Avg. price - \$149,234, down \$78.
- Washington, VA: Sales 446, up 114. Avg. price - \$192,464, up \$16,666.
- Carter: Sales 437, up 26. Avg. price - \$141,254, down \$312.
- Hawkins: Sales 428, up 29. Avg. price - \$145,233, up \$4,083.
- Wise: Sales 153, up 24. Avg. price - \$108,649, up \$6,331.
- Johnson: Sales 105, up 27. Avg. price - \$168,374, up \$35,585.
- Scott: Sales 89, down 1. Avg. price - \$92,258, down \$11,726.
- Lee: Sales 34, Up 9. Avg. price - \$92,593, up \$16,919.



NOTE: NETAR counts city sales as those in high school zones. City sales and price data are included in the county totals.

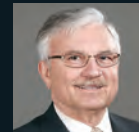


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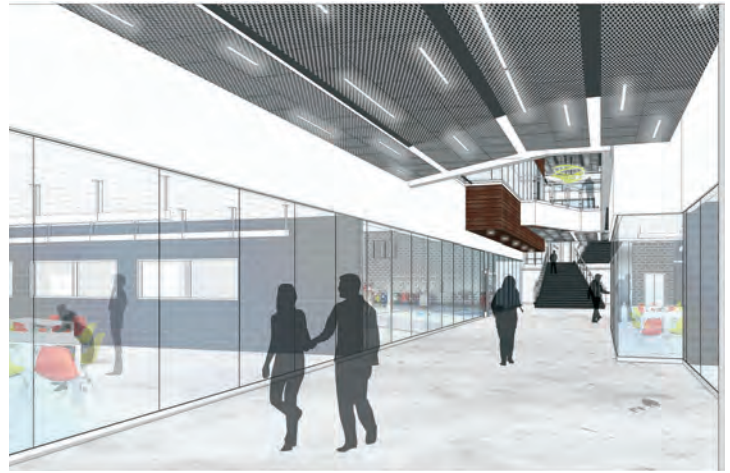


Northeast State breaks ground for Technical Education Complex

by Scott Robertson



The site of the new Technical Education Complex in late October.



Artist's rendering of the interior of the Technical Education Complex.

A year ago, Northeast State Community College was announcing layoffs, cutting spending by more than \$5 million, and rationing supplies. But on Oct. 30, the college broke ground on a new 114,000-square-foot \$29.8 million technical education building.

How did the college make the fiscal turnaround so quickly?

First, there was a year of fiscal discipline. “My two priorities the first few months here were to meet payroll and keep the lights on,” says James King, outgoing interim president. “Every expense, down to buying paperclips, had to cross the CFOs desk and my desk.”

Then, there was the fact that most of the funding is coming from the state. Only a small portion of the total cost is due from Northeast State, and King says those funds have been either found, or are on the way. “We hope to have a \$500,000 announcement in December,” King says. The previous administration had spent the

money earmarked as Northeast State’s match, “two or three times.”

King will not be around to see the ribbon cutting for the building, as the search for the next permanent president has reached the final stage, with only two candidates remaining. Either Bethany Flora, associate director of the Center for Community College Leadership at ETSU, and Joel Welch, vice president of Instructional Services for Forsyth Technical Community College in Winston-Salem, N.C., will be Northeast State’s next president.

While King won’t preside over its construction, he is pleased with the complex’s planning. “This will be a state-of-the-art facility for technology programs. In the last two to three years the state has committed a lot of funds for technical education, because market-able skills matter and industry demanded it.” The complex will replace two buildings built in 1965. [BJ](#)

Northeast State announces agreement with Tusculum



Northeast State Community College President James D. King, center left, and Dr. James Hurley, Tusculum University’s president, center right, sign a dual enrollment agreement during a press conference. CONTRIBUTED

Students attending Northeast State Community College will have a seamless transition to Tusculum University after receipt of an associate’s degree through a new agreement reached between the two higher education institutions. Leaders from Tusculum and Northeast State conducted a news conference Oct. 22 on the Northeast State campus to discuss the new dual admission program. The initiative is effective immediately.

“Our emphasis early will be in the healthcare fields – nursing and some of the fields we’re launching,” said Tusculum President Dr. James Hurley. “I anticipate we will have a pathway program between Northeast transfers to Tusculum on into our College of Optometric Medicine. But first and foremost, the primary focus will be on nursing, business, education and healthcare.”



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Bankers hail deregulation, eye Fed's interest rate hikes with mixed sentiments

by Scott Robertson

Just before Memorial Day, President Donald Trump signed Senate Bill 2155, a bipartisan measure to roll back many Great Recession era banking regulations on all but the largest American banks. Most of those came from the Dodd-Frank law, which bankers have universally reviled almost since its passage.

“Dodd-Frank had increased the number of pages of regulation from 26,000 to 52,000,” explains Leton Harding, president and CEO of Powell Valley Bank. “Before Dodd-Frank, in the history of banking regulation in America, there were only 26,000 pages of regulation. Dodd-Frank doubled it in one bill.”

“The turndown happened in the large banks,” adds Bill Greene, chairman of BancTenn Corp. “But with all these regulations, little Bank of Tennessee and all the community banks had to abide by these rules JP Morgan Chase and Bank of America had to abide by. That created a massive problem for community banks that since Trump came in, this relief act has started to clean up.” That massive problem was the burden of proving compliance with 52,000 pages of regulations. “The compliance costs for

a bank our size and the costs for JP Morgan Chase, and even regional banks like SunTrust and Regions – it becomes more efficient the larger the bank is. Consequently, efficiency costs for a community bank like we have in Northeast Tennessee is astronomically higher than it is for a large bank. The smaller community banks are running somewhere between 60-70 percent efficiency ratio and you have these large 800-pound gorilla giant banks running somewhere between 45 and 56 percent efficiency ratio. So, obviously they have a better opportunity to have return on assets than community banks have. So, community banks have been suffocated and stymied by compliance rules and regulations. But we are getting some relief on that now.”

How much relief depends on who you ask. Harding says the true impact of the rollback may not be known until next spring. “We have as of yet not seen substantial changes yet, because the majority of the things in the new law will require the banking regulators to publish potential regulations. Typically banking laws will have an outline and then ask the regulators to fill in the



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details to the body of the language. Having said that, the positive part is we have begun to see the publishing of possible regulations that would be of benefit to our company and the banking industry. I think we're looking until the end of the first quarter." Still, says Todd Asbury, president and CEO of New Peoples Bank, some results are already being seen. "We're already seeing some benefit through the mortgage applications. Some of the regulatory relief has changed the debt to income ratio. So, we are seeing some relief on the residential mortgage side. Since we're under \$1 billion, we were already exempt from some of it."

Darla Scott, executive vice president and CFO at Bank of Tennessee adds, "The qualified mortgage rules were implemented. With this new deal, we will get some relief on that where any mortgage loans we make, when we hold those internally, they are deemed to be qualified mortgages. That's a huge change for the bank. Qualified mortgages are important because if the loan is not a qualified mortgage, and the borrower within two years defaults on the loan, the bank has to make them whole."

"We are still waiting on the rules on community bank leverage ratio," Scott continues. "All the banks are anxiously waiting on the FDIC and the regulatory authorities to give us some more guidance. We should receive something by the end of the year."

Watching with interest

The Fed's apparent intent to continue raising interest rates has drawn both cautious praise and outright criticism, both nationally and in the region. When Dr. Raphael Bostic, president of the Federal Reserve Bank of Atlanta and a voter on the Federal Open Market Committee, visited Kingsport earlier this year, Appalachian Community Federal Credit Union President and CEO Ron Scott asked a question that got Bostic to make a pledge in response. "I pledge to you I will not vote for anything that will knowingly invert the curve and I am hopeful that as we move forward I won't be faced with that," Bostic said.

"The curve" is shorthand for the treasury yield curve, which is widely viewed as an accurate tool for forecasting inflation. "When short-term rates are low, you can invest longer term and you make a spread as revenue," Scott explains. "In a flat yield curve, there's little to no spread, so you typically see financial institutions from their lending and savings perspective making less money. When the long-term treasuries get below the short-term treasuries, it's usually an indication of a recession coming."

The Fed has raised the prime rate three times this year and appears likely to do so again in December. "They've been increasing

“If people go back and do the math, what they will find is we're still below where historic norms are.”

– Todd Asbury

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FINANCIAL SERVICES, CONTINUED

their rates, but the long-term and 30-year treasuries have not been going up proportionately,” Scott says. “It’s really squeezed. If we continue getting inverted, we’ll be going into a recession.” Scott agrees. “With the increase in interest rates, you look at the treasury yield curve and it continues to get flatter. Typically, when you have a flattening of the curve, you end up with an inverted curve, and then following the inversion, within 18 months there’s typically a recession. Now, I’m not saying that is what’s going to happen, and I think we’re a long way away from that, but with interest rates increasing we are seeing a lot of borrowers coming in wanting loans. We’re seeing depositors come in and want longer term deposit rates.”

Harding agrees that the Fed appears dead-set on raising rates again, and more than once. “We think we’re looking at one more increase this year and two, maybe three next year. That’s what the market indicates.”

But Harding sees room for the hikes without necessarily inviting inflation. “If people go back and do the math, what they will find is we’re still below where historic norms are. I think one of the key things the Fed is trying to do is to give themselves enough powder, in the event that we have a slowdown, if the rate is up to 3 percent, they can drop it 200 basis points pretty quickly and still be at 1 percent.”

Like Harding, Asbury sees the potential value of a few more

rate hikes. “Yes, interest rates are going up,” he says. “That is the trend. But one thing to keep in mind too is we have been in such a historically low interest rate environment, we are returning back to what would be more of a normal interest rate environment. The days of a 3.25 percent prime were actually a very low period.”

The short-term effect of the rate hikes is that more businesses are locking in long-term rates now, but Asbury cautions against taking a loan now only for the sake of avoiding higher rates later. “Well, even if money is cheaper now, if borrowing doesn’t line up with their business plan, it really doesn’t help them. You know, with the tax incentives that are out there now, it may make more sense for them to wait a year to take that opportunity to expand or invest in their business, even with rising interest rates. They need to talk with their tax advisor on how to take that into account as well.

Greene says the other side of the same coin should probably be taken into account. “You see President Trump right now already screaming about maybe going up another 25 basis points this year and several next year. Were I president, I would probably do the same thing, because you obviously want the borrower to have as low a rate as he can get,” Greene says. “But for some reason, normally politicians don’t think about what you get on savings. People forget that every time the Fed goes up, you go up about the same span on what you’re saving. So, it’s a two-way street.” **BJ**

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Accountants, financial advisors find new opportunities in tax law changes

by Scott Robertson

As we approach tax season 2019, with the Tax Cuts and Jobs Act having been in place since January 1, 2018, accountants and financial advisors have found a myriad of ways to make best use of the new tools at their disposal. The cuts approved by Congress and signed into law by President Trump 11 months ago benefit both businesses and individuals, and in many cases, both.

For individuals

The most obvious benefit for individuals has been the cut in rates. The reduction in the marginal tax brackets should save the average American significant amounts in 2018.

“Where a person may have crossed from the 25 percent bracket to the 28 percent bracket in the past, you may spend a little more time in the 22 percent bracket,” says Tony Roop, a tax-focused partner at Brown Edwards CPAs. “Also, the child tax credit has increased to \$2,000 per child up to the age of 17, and the income brackets have been pushed up significantly on the child tax credit.”

Perhaps more significant than the changes in the marginal tax

brackets and child tax credit is the impact of the increase in the standard deduction. “They pushed the standard deduction up for a married couple to \$24,000,” Roop says. “So, when someone is considering whether to itemize state income taxes, charitable deductions and property taxes, they now are more likely to do better using the standard deduction.

The first benefit of that is simply facilitation of filing, says Scott Marmo, president of Marmo Financial Group. “With the new standard deductions, this will reduce the complexity for most tax filers.”

The second is the ability of filers to mix financial instruments and strategies to create a “best of both worlds” scenario. “With the increased standard deduction, we have had many older clients that in the past would only itemize due to their significant giving. Now, with proper planning, we have advised them to do all charitable giving directly from IRA, thus making it nontaxable and also taking care of minimum distribution requirements, while also being able to take the larger standard deduction in

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most instances.”

Still, other considerations must be taken into account when considering any individual’s tax situation with respect to their overall financial picture, says Maureen McIver, financial adviser at Cary Street Partners. “For retirees, tax reform has brought about potentially some relief but Medicare planning, the type of income that you get in retirement and how that’s reflected on your 1040 is going to impact how much of your social security gets taxed as well as how much you pay for Medicare Part B premiums. So, when we look at retirees, we always look at what that pure dollar looks like in their pocket after it’s pulled through the tax sieve. It’s one thing to say, ‘yes, we have tax reform,’ but how are you pulling that income through the tax sieve to maximize the amount of dollars you have in your pocket?”

For businesses

The change that captured the most headlines when the tax cut bill was signed into law was the lowering of the corporate tax rate from 35 to 21 percent, and with good reason. “One of the biggest changes on the business side is the flat 21 percent corporate tax rate,” Marmo says. “This will save businesses a significant amount of income tax. These are savings that can be passed on to employees in the form of higher wages, passed on to consumers in the form of lower product costs, and passed on to shareholders through higher stock prices because of the increased revenues.”

Smaller businesses received an analog of the corporate break in the form of the 199A deduction, says Greer. “The largest area of impact in our region and practice deals with the 20% deduction on pass-through income. This is also the largest section where the IRS continues to issue guidance. Most all of our business clients will see significant savings due to this tax cut.”

On the surface, the pass-through deduction is relatively simple, says Roop. “For entities such as partnerships, corporations, single-member LLCs, you basically calculate your taxable income – there are some adjustments you have to make in that – then you take 20 percent of that number and you may be eligible for that 20 percent deduction off your taxable income.”

Taxes being taxes, some complexity does enter into it.

“We don’t see advisors talking enough in

2018 about that qualified business income deduction for small businesses and those thresholds,” McIver says. “There are certain small businesses that are more restricted – financial advisors, lawyers, doctors. How do you reduce your income levels so you get that 20 percent deduction? Do you put in a cash balance retirement plan where you can really put that dollar from one pocket to another, so it’s something to say, ‘here’s tax reform; we think everybody’s going to get a break,’ but I don’t think people fully understand all the nuances.”

And because this is the first year of implementation, Marmo says, “There is some debate as to how the IRS will treat

certain businesses that are structured as pass-through entities.”

The next largest opportunity would be depreciation and the ability to write off business assets. “We have two standards there,” Roop says. “You have bonus depreciation and you have what’s called Section 179. They’re both giving you the ability to write off a lot of an asset’s value up front instead of spreading it over a number of years.” Section 179 allows businesses to write off 100 percent of an asset up to \$1 million. Bonus depreciation now allows 100 percent write-offs on new and used asset acquisition. ■

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State green lights new surgery center for Holston Medical Group

by Jeff Keeling

A large physician practice group has won state permission to build a \$10 million ambulatory surgery center (ASC) in Kingsport. Meadowview Surgery Center will compete directly with Ballad Health, which is sharply limited in its ability to oppose such endeavors. A new company representing Holston Medical Group received a certificate of need (CON) Oct. 24 for the center, in which it expects to conduct more than 5,000 surgical cases per year starting in late 2019.

The application from Meadowview ASC LLC, cites what it claims is control by Ballad Health over the other 11 ASC's serving Sullivan County. It suggests that even for ASCs over which it isn't majority owner, "(Ballad) has reserved powers giving it de facto control over insurance contracting and other important matters."

While Meadowview Surgery Center's would-be owners expect to profit from its operation – projected 2020 net income is \$1,054,665 – the CON application claims the center will benefit patients and physicians in what has become a Ballad-dominated healthcare landscape. The application notes that Meadowview's investing doctors have entered numerous value-based arrangements with managed care organizations. "Under these arrangements, physicians and surgeons aim to meet high quality standards while at the same time reducing overall costs," the application says. "It is the intent and goal of Meadowview ASC to bring more of these value-based arrangements to the ambulatory surgery market."

Meadowview's projected average net charge of \$1,030 is significantly lower than the \$1,835 average for the five multispecialty ASCs with which it would compete. Those figures do not account for the mix of case types, however.

"While physician and hospital jointly-owned ASTCs are a very common and attractive model, there is a need for a physician controlled ASTC in the service area," the application says.

The CON is the first approved for an area provider that will directly compete with Ballad, which, unlike its predecessor systems Mountain States Health Alliance and Wellmont Health System, is highly restricted in its ability to oppose CONs. The Terms and Conditions of the Tennessee Certificate of Public Advantage (COPA) that allowed Mountain States and Wellmont to merge attempt to mitigate that merger's anticompetitive disadvantages in numerous ways.

When it comes to CONs – which both legacy systems often opposed in order to try, sometimes successfully, to ward off competition – the terms and conditions say the following:

"The New Health System shall not oppose the award of a certificate of need ... unless such applicant for the certificate of need does not consistently accept inpatient Medicaid patients or uninsured patients."

In its application, HMG verifies its intent to contract with



This floorplan for the HMG's proposed ambulatory surgery center was included in its certificate of need application.

at least one TennCare (Medicaid) managed care organization. "Meadowview ASC will be accessible to all consumers regardless of socio-economic status," the application reads. It projects a first-year payor mix of 69 percent commercial insurance, 19 percent Medicare and 7.5 percent TennCare.

HMG's application includes a letter of interest to invest in the center signed by 18 surgeons and it projects profitability even in the first year of operation. While hospital inpatient admissions and revenues have been flat to declining in the area, the new ASC will compete in a growing area. Sullivan County's ASCs, with a total of 39 operating or procedure rooms, saw a 30 percent utilization increase from 2015 to 2017 with a total of 48,560 surgical cases in 2017.

The investing surgeons referenced in the application include four general surgeons, five orthopedic surgeons, four OB/GYN surgeons, two gastroenterologists, an otolaryngologist, a pediatric surgeon and a pulmonary surgeon. Access will be open for non-investing surgeons as well. Usage projections show gastrointestinal procedures accounting for more than 60 percent of the first two years' total.

Dr. Scott Fowler, HMG's president, is the initial sole member of Meadowview ASC LLC. The surgeons and proceduralists who have signed the letter of interest, which notes that a physician-controlled ASC "has been an internal objective for some time." Reasons cited include "to provide a patient-focused environment consistent with our practice in a large multi-specialty group, to enable contracting that will meet the needs of our value-based arrangements with managed care organizations, and to give us more direct input and control over the center." ■

Local Advisory Committee feeling its way along the COPA journey

by Jeff Keeling

Members of the COPA* Local Advisory Committee (LAC) are obligated – and seem to genuinely want – to effectively represent health care consumers in Ballad Health’s patient service area. After meeting Oct. 25, they seem to recognize achieving that will be a process – even with their first annual public hearing and annual reports looming. Like everyone else involved in the groundbreaking experiment the COPA has allowed, they’re feeling their way through things.

COPA Compliance Officer Gary Miller, who works for Ballad but can’t be fired without the approval of the Tennessee Department of Health (TDH) spoke at length to the eight committee members present. So did the fully independent COPA Monitor, former University of Virginia Health System CFO Larry Fitzgerald.

“I’m glad Larry and Gary could be here,” LAC member Dennis Phillips said as the committee discussed how to approach its responsibility to host an annual public hearing. “It’s been very helpful to me and everyone else.”

The LAC’s upcoming responsibilities are to host an annual public hearing and gather comments on annual reports from Ballad and from Miller, as well as about “the ongoing performance of Ballad Health.” The committee also must publish its own annual report that incorporates the public feedback and submit it to Fitzgerald for his review. Those tasks should occur in early 2019.

“Once I am more clear on our role I think it is important for us to help the public understand what our role is and what it is not,” LAC member Brenda White Wright said at the committee’s Oct. 25 meeting. “The public needs to understand we are not here to micromanage Ballad’s management.”

Several LAC members related questions they’d been asked by community members, essentially asking “how should I answer?” If they know the question isn’t germane to the COPA, Miller and Fitzgerald said, they should say so. If a question or complaint is, they should pass it on to Miller. Indeed, micromanaging Ballad’s management isn’t part of the mandate, though that didn’t keep the subject of the system’s two Level I trauma centers from arising.

Members learned Ballad – which got preapproval to close one of the trauma centers – has hired a consultant to study that thorny issue and recommend whether Ballad should close the center at Johnson City Medical Center or the one at Holston Valley Medical Center.

Fitzgerald said Ballad’s consolidation of services will be among the merger’s most important long-term elements. Other than for pre-approved consolidations – the trauma centers, Indian Path Medical Center cardiology and the repurposing of one of Greene County’s two hospitals are among those – Ballad must get permission from the TDH for any significant service line changes and endure a 90-day waiting period.

Fitzgerald quickly added that duplication doesn’t work in



COPA Local Advisory Committee members Brenda White Wright, Dr. Linda Latimer and David Hawk listen during the committee’s Oct. 25 meeting. PHOTO BY JEFF KEELING

today’s health care economy.

“The economics in health care are such that you simply can’t have redundancy in close geographic proximity,” Fitzgerald said. “There will be consolidation of services. There are rules about how that’s to be handled and the service to the community cannot be reduced, but that will be a big item.”

Fitzgerald also reviewed issues regarding employment of physicians, payment requirements for low-income patients and pay equalization for employees. Beyond what any insurance they may have, Ballad can’t charge patients who make less than 225 percent of the federal poverty level. For a family of four, that level is \$56,475 a year. Fitzgerald said he’s also looking at charges to commercial payors and uninsured patients. “There are rules about what they can charge, and I will be doing some independent reviews.”

Fitzgerald said he isn’t approaching the job adversarially, but added, “at the end of the day I’m independent and I report to the state.” In the matter of patient billing and the 225 percent of poverty rule, for instance, he said, “It’s one thing to agree to do that, but it’s another thing to say ‘we’re happy to treat you – come in.’ A lot of hospitals say ‘we treat all patients,’ but they don’t build hospitals where indigents live. I’ve been in the business a long time and I know how this works, so I’m going to review that. I think it’s important.”

**The COPA is a certificate of public advantage. It creates the legal framework allowing the state-supervised merger of Mountain States and Wellmont into Ballad. It was required because of the anticompetitive market share the merger created, which would have caused the Federal Trade Commission to disallow it.*

Creekside Behavioral Health opens Kingsport facility

by Scott Robertson



SBH executives and local dignitaries cut the ribbon at the entrance to Creekside Behavioral Health. PHOTO BY SCOTT ROBERTSON

Creekside Behavioral Health, 72-bed inpatient hospital that will serve children, adolescents, adults, and seniors facing mental health and substance abuse challenges, treated its first patients Oct. 25. The facility was first proposed five years ago.

Federal, state and local elected officials joined leaders from Strategic Behavioral Health (SBH) in Kingsport to celebrate the grand opening Oct. 15. Kingsport Chamber of Commerce President and CEO Miles Burdine hosted a ribbon-cutting ceremony, which featured remarks from state and local elected officials as well as leaders from SBH and Creekside Behavioral Health.

“Creekside Behavioral Health will be an asset to residents in Kingsport and throughout the entire region, providing quality care to patients and families dealing with mental health and substance abuse issues,” said SBH Founder & President Jim Shaheen. “SBH is pleased to play a role in making this new hospital a reality, and we appreciate the support we’ve received from elected officials and local leaders.”

Shaheen said SBH has invested around \$20 million in the Kingsport facility. The facility will not fill all 72 beds immediately, Shaheen said. “You don’t want us to do that.” Instead, Shaheen said, the rollout of services will come as staff are in place and ready to handle the full case load for which the facility is designed.

Creekside Behavioral Health CEO Brandon Wardell said, “Our team of highly-trained doctors, nurses and staff will provide exceptional services to citizens who need help overcoming addiction or mental health problems. We look forward to providing the critical care necessary to improve wellness in the region.”

The facility will begin operations with a staff of around 150, then grow to up to 250.

“I want to thank Mr. Shaheen and his team for their hard work in making this facility a reality,” said Sullivan County Mayor Richard Venable. “It was a long, difficult process but we persevered and we’re thankful for this wonderful result.”



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Ballad opens new Unicoi County Hospital

by Scott Robertson




A view from behind the stage shows the crowd gathered to celebrate the ribbon cutting that preceded the opening of Unicoi County Memorial Hospital last Monday in Erwin. PHOTO BY SCOTT ROBERTSON

In November 2013, when Mountain States Health Alliance and Wellmont Health System were making competing offers to take over Unicoi County's then-50-plus-year-old hospital, many in the community were skeptical either organization would ever build a new facility to replace it. As of Oct. 23, the promised replacement facility for the 1950s era hospital is open.

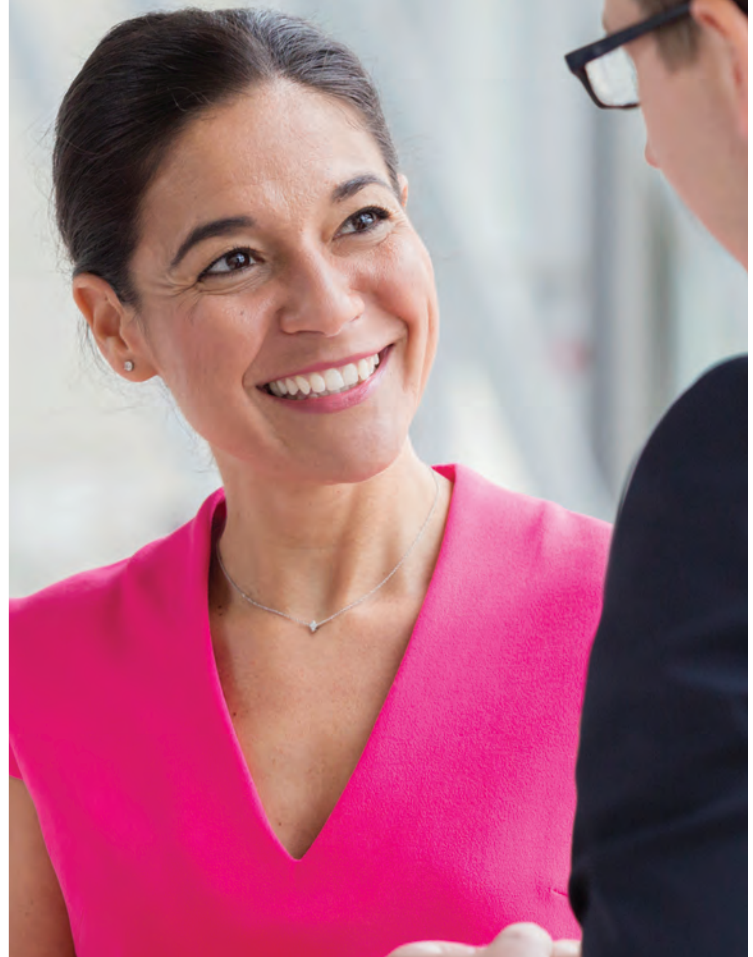
Ballad Health Chairman and CEO Alan Levine acknowledged the new facility would likely never be profitable, and that larger facilities in the Ballad system would shoulder the burden for it, but said rural healthcare is a key to a prosperous region. "If Unicoi County Hospital was here by itself, it would go the way of 80 other hospitals throughout the country. It probably would have closed," said Alan Levine, Ballad chairman and CEO at the Oct. 22 ribbon cutting. "This building is a monument to the whole discussion we're having right now about regionalism."

Because of dropping inpatient revenues, an entirely new paradigm for rural healthcare must be adopted. To that end, while the new Unicoi County Hospital facility has fewer inpatient beds than the pre-existing hospital, the number of outpatient beds has increased, said Eric Carroll, assistant vice president and administrator. "There are 10 inpatient beds and 10 emergency beds," Carroll told media members during an Oct. 12 tour. "Right now, the average daily census (the number of inpatients inhabiting beds) is around five." That means the new hospital can more than accommodate current inpatient loads, while making space available for outpatient care.

The old hospital had 40 beds, but was designed almost entirely for inpatient care. As care and funding models have changed, the facility became not only outdated, but also more and more costly to operate.

The new facility offers respiratory and cardiology services, as well as multiple digital imaging diagnostic disciplines including X-ray, CT and MRI. The hospital also has a large trauma suite and a helipad. 

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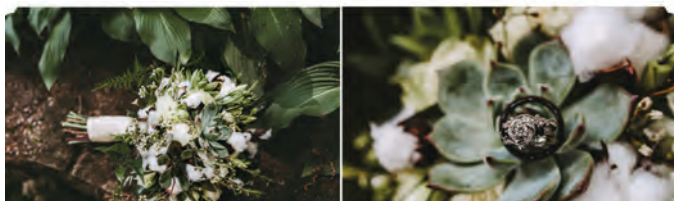
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VDOT officials conduct I-81 hearing



Former Delegate Joe Johnson was among several dozen Southwest Virgians at the Abingdon VDOT hearing Oct. 22.

Virginia transportation officials have identified more than \$4.1 billion in improvements needed to solve the myriad traffic problems along Interstate 81's 325 miles in the Commonwealth. It can only identify \$2 billion in possible funding, however, and part of that comes from proposed tolls along the highway. VDOT officials shared that unpopular news Oct. 22 at a public hearing at the Southwest Virginia Higher Education Center in Abingdon.

"I-81 carries about 11.7 million trucks a year," said Shannon Valentine, state secretary of transportation. "It carries \$312 billion worth of cargo and goods. Forty-two percent of all Interstate truck traffic goes down I-81. It is an incredible lifeline and economic engine in this part of Virginia."

The improvement and funding plan was still in the draft stage at the time of the hearing, but was to be presented to the Commonwealth Transportation Board at its Oct. 29 meeting, and a final plan is scheduled to be considered in December before being taken to the General Assembly.

Most Virginia Interstates have traffic problems that arise from significant traffic volumes at peak times, generally during rush hours. Interstate 81 is different in that its longest delays come from irregular incidents, such as auto accidents and disabled vehicles. As often as 30 times a year, those slowdowns can exceed six hours each.

The plan to address such incidents includes placing a greater number of cameras at problem spots and possibly hiring contract labor to clear accident scenes sooner and faster.

In addition to the 81 corridor discussions, VDOT officials at the hearing heard from Buchanan County residents asking for full funding for the Coalfields Expressway, which has been in the works for more than a quarter century and is still at least six years from completion. **BJ**



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Foam Products to expand Erwin manufacturing operations

Foam Products Corporation, one of the world's largest producers of acoustical underlayments for laminate and hardwood flooring, has announced the expansion of its Erwin plant. This expansion represents the creation of 15 new jobs and an investment of over \$5 million by the company in Unicoi County.


Headquartered in Georgia, Foam Products cited a favorable tax climate and the quality of life found in Unicoi County as key drivers of its decision. The company's Erwin facility is located in the Riverview Industrial Park along the Interstate 26 corridor. The facility also has access to the Clinchfield Line of the CSX railroad.

Foam Products expects to invest more than \$5 million in property, plant, and equipment at their new site and hopes the additions to the facility will be operational by the fourth quarter of 2019. The company's underlayment products are distributed from the manufacturing plant and are sold to customers throughout North America, including the West Coast and Canada. The Joint Economic Development Board of Unicoi County is expected to make presentations related to this project to committees of the City of Erwin and County of Unicoi governments in the coming weeks. JEDB Executive Director Tyler Engle said, "Companies like Foam Products continue to invest in Unicoi County and Upper East Tennessee because of our prepared workforce and our quality of life advantages. We welcome this investment and look forward to our continued business friend-



Foam Products Erwin, Tenn. facility PHOTO BY JEFF DERBY

ship with the Company."

Alicia Summers, vice president for Business Development at the Northeast Tennessee Regional Economic Partnership, said, "Manufacturing is a key component in our region's economy. This expansion is another sign of the exciting pattern of growth in our region's manufacturing sector. We appreciate Foam Products and their continued investment and confidence in our workforce." 

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ON THE MOVE

The Tri-Cities Airport Authority (TCAA) elected to promote **David Jones** to deputy executive director at the Oct. 25 board meeting. The promotion takes effect immediately.

“David has the experience and expertise to maintain the high standards already in place,” said TCAA Chairman Jon Smith. “He has seen the airport through a number of successful projects and we are glad to recognize his contributions.”

Jones previously held the position of TCAA director of operations and had been in that role for more than 12 years. He came to Tri-Cities after serving 11 years as engineering and environmental manager for McGhee-Tyson Airport. Jones also worked in Knoxville with Vaughn and Melton Engineers and Architects.

“The Airport is moving in a very positive direction,” said Jones. “I’m looking forward to continuing to work with the Authority board and staff on the progress that has been made.” Jones was also appointed to serve as interim executive director beginning Nov. 18 until the hiring process is complete for the open TCAA executive director position.



David Jones

Dana Glenn, formerly Administrative and Marketing Coordinator, is now the Director of Marketing and Business Development. She will continue to lead the organization’s marketing efforts, including branding initiatives and video production, and will add project management to her duties. Glenn will also lead FIRST, the organization’s existing industry program.



Dana Glenn

Before joining NETWORKS, Glenn served as the Administrative and Marketing Coordinator for the Kingsport Office of Small Business Development (KOSBE) and completed an internship at the Kingsport Chamber of Commerce. She holds a Bachelor of Business Administration Degree from East Tennessee State University and is currently completing coursework through Oklahoma University’s Economic Development Institute. Glenn serves as President of PEAK – Kingsport Young Professionals and sits on various boards in the community, including United Way of Greater Kingsport and Branch House Family Center. She is a member of the *Business Journal’s* 40 Under Forty Class of 2017 and a 2016 graduate of Leadership Kingsport.

“I am thrilled to continue my career at NETWORKS Sullivan Partnership,” said Glenn. “I look forward to taking on more responsibility in project management as well as continuing to

A large graphic advertisement for Cumberland Marketing. On the left is a portrait of a smiling woman with long dark hair, wearing a black top. An orange crown is drawn over her head, and an orange heart is drawn over her chest. To the right of the portrait, the text "IT'S NOT A POPULARITY CONTEST." is written in large, bold, blue capital letters. A large orange pencil stroke is drawn over the word "NOT". The entire graphic is enclosed in an orange border.

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Michael Parker, formerly executive project manager, will now serve as the director of Economic Development. Parker is responsible for attraction/recruitment initiatives, including business retention and expansion. Among his duties, Parker also leads the Northeast Tennessee Red Carpet Tour, an IEDC award-winning annual familiarization tour that offers site location consultants an opportunity to experience the Southern hospitality and pro-business culture Northeast Tennessee offers.



Michael Parker

Parker joined the NETWORKS team in 2011 as an intern and has played an integral role in the organization’s successes since. He holds a Bachelor’s Degree in Political Science and a Master’s Degree in Public Administration from East Tennessee State University.

He is a 2014 graduate of LEAD Bristol and continues to assist with the organization’s Economic Development Program Day. Parker and his wife, Morgan, recently welcomed their first child, Lillian.

“I am excited to be given this opportunity to continue serving my community in this capacity,” Parker said. “Northeast Tennessee is a great community with so much to offer, and I feel honored to be able to represent it on a daily basis.”

“It has been a pleasure having Dana and Michael on the team and seeing them grow professionally while making tremendous contributions to our region. I am excited to see all that they will

accomplish in their new roles,” said Carolyn Ferrell, Chairman of the NETWORKS Sullivan Partnership Board.

“Dana and Michael have done exceptional work during their respective tenures at NETWORKS and our leadership believes in building an organization that people can potentially stay with their entire careers. That means, among other things, providing opportunities for advancement,” CEO Clay Walker said. “In Dana’s case, that meant moving into a role of more responsibility by filling a position that recently became open and in Michael’s case, it was a slight restructure that really wasn’t difficult for us, but created both a reward and affirmation for the work he has done for the past seven years as well as a real growth opportunity for him.”

NETWORKS Sullivan Partnership is the economic development organization serving the Northeastern Tennessee communities of Sullivan – including investor partners Bluff City, Bristol, and Kingsport – and Hawkins County.

AWARDS & ACHIEVEMENTS

Bellus Wins Record Number of Aesthetic Everything Awards

Bellus Medical, a medical aesthetics team and division of Crown Laboratories based in Johnson City, Tenn., topped the charts in eight categories presented by the 2018 Aesthetic Everything Awards:

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- Top Aesthetic Companies
- Top Skin Care Devices (SkinPen® by Bellus Medical)
- Top Scar and Skin Repair Treatments (Microneedling: SkinPen by Bellus Medical)
- Top Medical Skin Care Lines
- Top Breakout Companies
- Top Non-Surgical Procedures
- Top Minimally Invasive Procedures (Microneedling: SkinPen by Bellus Medical)
- Top New FDA-Cleared Innovation

The eight accolades exceed the company's total of seven last year. Bellus also won the inaugural award in the category of Top New FDA-Cleared Innovation. These honors follow Bellus Medical's U.S. Food and Drug Administration (FDA) clearance for SkinPen.

Frontier Health Foundation receives SunTrust Foundation Lighting the Way Award

Recognized for its contributions to the Northeast Tennessee Region the Frontier Health Foundation was awarded a 2018 Lighting the Way Award and \$75,000 grant by the SunTrust Foundation.


The SunTrust Foundation's Lighting the Way Awards recognizes select nonprofit organizations that strengthen their local communities through programs that help people better their

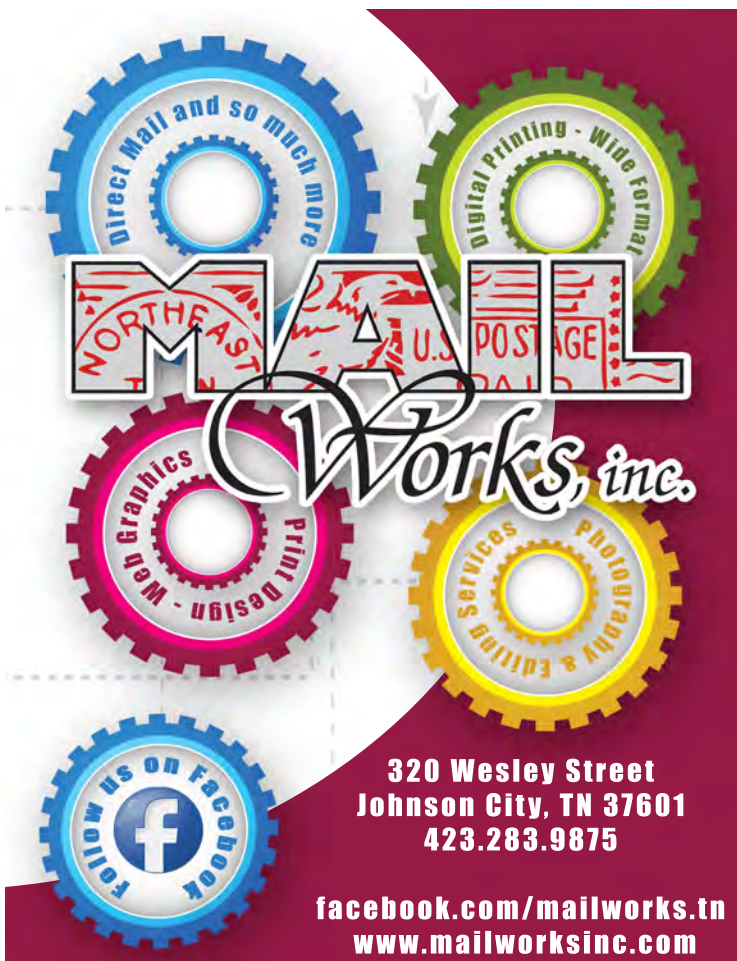


Frontier Health Lighting the Way Award honorees

circumstances and gain financial confidence.

"We're committed to building stronger communities, and our nonprofit partners are addressing community needs in innovative and very meaningful ways," said Stan Little, president of the SunTrust Foundation. "Frontier Health is improving the lives of many people, and we applaud their mission, long-term service and the impact they're making where it's most needed."

"The SunTrust Foundation has generously recognized that Frontier Health's Employment Services are changing lives in Northeast Tennessee," says Dr. Teresa Kidd, President and CEO, Frontier Health. 



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Putting “America First” in our Trade Deals

by Phil Roe

President Donald Trump has repeatedly promised to put “America First” in his policies, and there is a lot of evidence he is delivering on that promise. Earlier this year, the President announced he was willing to withdraw from the North American Free



Trade Agreement between the United States, Mexico and Canada unless Mexico and Canada renegotiated terms of the agreement. The President also warned those countries they could be subjected to tariffs if trade talks fail. Last week, President Trump announced a renegotiated arrangement that had been agreed to by all three countries, which he is referring to as the USMCA (the United States-Mexico-Canada trade agreement). I am glad our countries were able to find common ground, and it appears the new agreement will enhance American businesses’ ability to compete. I look forward to carefully reviewing this agreement when it is brought up in Congress for a vote.

I support free trade, but agree with the President that trade must be fair also. I watched as my father lost his manufacturing job to a factory in Mexico, and I still hear all too often similar stories from people across the First District of Tennessee. The North American Free Trade Agreement (NAFTA) is 24 years old and was in need of modernization. However, I also have talked to a lot of businesses and farmers throughout the First District in the past several months who were concerned about an escalating trade war with our neighbors, and the need to maintain access to markets throughout North America.

One of the greatest benefits of this deal will be the stability it provides to thousands of East Tennessee workers whose businesses rely on both free and fair trade.

The announced framework of the USMCA appears to benefit American manufacturers and farmers; protect intellectual property; and ensure safe working conditions for laborers. East Tennessee has worked hard to rebuild our manufacturing sector and any agreement must not only maintain those gains, but also ensure further growth. For example, in East Tennessee, the motor and equipment manufacturing industry employs over 4,200 individuals – these are good-paying jobs that support a middle class family. I firmly believe we should encourage growth of these job opportunities for American workers.

Canada and Mexico are our first- and third-largest export markets for U.S. food and agricultural products, making up 28 percent of total food and agriculture exports in 2017, while supporting 325,000 American jobs. That’s why it’s particularly good news for our farmers that the updated arrangement will maintain strong markets where they sell their goods.

Some of the other benefits of the agreement that President Trump and his administration have negotiated are removing provisions from NAFTA that are no longer relevant; discouraging the practice of offshoring jobs while creating opportunities for additional auto manufacturing in the U.S.; and ensuring more market access for our farmers. Specifically, this deal should increase access to the Canadian market for our dairy farmers, many of whom are right in East Tennessee. Canada is also providing full access for other U.S. dairy products, eggs and poultry to be sold in their market. This is great to hear, particularly after so much turmoil earlier this year for many of the dairy farmers in East Tennessee.

I look forward to carefully reviewing the USMCA and learning more about how it affects East Tennesseans. I also hope this agreement will provide momentum to complete trade discussions with other countries, notably Europe, to continue the great economy we have right now. **BJ**

Phil Roe is the United States Congressman representing Tennessee’s First Congressional District.



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