

**HEALTH CARE INC.  
PHILADELPHIA**

January 29, 2015

# Abington Health and Jefferson sign definitive merger agreement



Abington Health CEO Laurence Merlis and Jefferson CEO Dr. Stephen Klasko have signed a definitive agreement to merge their organizations.

**By John George**  
*Philadelphia Business Journal*

Abington Health and Thomas Jefferson University and Health System moved one step closer to the altar Thursday, reaching a definitive agreement to merge the two organizations.

The deal still requires state and federal regulatory approval, which the health systems expect to secure later this year.

The definitive agreement — stemming from a letter of intent to merge signed in October — calls for a shared governance model with equal representation from Jefferson and Abington, who will have 11 representatives each, on a newly established board. The governing board will also have two trustees who have no previous

relationship with either organization.

“We believe this will be a precedent-setting model, defined by shared governance and the first large-scale urban-suburban hub and hub model,” said Dr. Stephen Klasko, president and CEO of Jefferson who will hold the same title in the merged organization. “It will create tremendous opportunities for us in population health and health care delivery, as well as in education and research. We anticipate that this structure and the tenets of this new enterprise will be attractive to other health care organizations in the greater Delaware Valley and be adopted as a model for the future.”

Officials at the two organizations said they have already been contacted by “multiple” health systems and

provider groups interested in learning more about how the merged entity will operate.

Laurence M. Merlis, Abington Health’s president and CEO, will become senior executive vice president and chief operating officer of the combined organization. In addition, Dr. John Kelly, Abington’s chief of staff, will become senior executive vice president and chief clinical officer of the combined organization. Dr. Anne Docimo, Jefferson’s chief medical officer, will become senior vice president and chief medical officer.

“This is a bold step forward for patient care, wellness and educating future health care providers,” Merlis said of the proposed merger. “We have two outstanding organizations

**Continued on back page**

coming together in a unique way with locations in the city and the suburbs, enabling us to deliver the right care, at the right time, in the right location.”

The name for the combined enterprise is still to be determined.

As a combined organization, Merlis said they will be better positioned to negotiate value-based performance contracts with government and private insurers to provide population health services to larger groups of patients.

Abington Health has withdrawn its participation with Noble Health, a coalition of four independent health systems — Einstein Health Network, Aria Health and Crozer-Keystone Health System being the others — formed two years ago to contract with health insurers to provide population health services.

Klasko and Merlis said by joining forces both organizations will be able to grow and expand existing services and programs.

“The future will belong to people

who can be nimble, flexible, creative and expandable,” Klasko said.

The two health system leaders noted both systems have strong neurosurgery and cancer programs. Klasko said the addition of Abington Health will allow Jefferson to expand its tele-health initiatives while also creating a formidable maternity services program.

“Abington is one of the top places for women to give birth in the region,” he said. “They had 5,000 deliveries. We have a great academic and residency program in obstetrics.”

The combined entity will have five hospitals — Thomas Jefferson University Hospital, Jefferson Hospital for Neurosciences and Methodist Hospital, all in Philadelphia; and Abington Memorial Hospital and Lansdale Hospital in Montgomery County — and network of seven ambulatory-care centers in southeastern Pennsylvania and South Jersey. Last year, those health centers collectively handled more than 84,000 hospital admissions,

1.1 million outpatient visits and nearly 249,000 emergency room visits.

Jefferson also has Thomas Jefferson University, which includes the Sidney Kimmel Medical College, Jefferson Schools of Health Professions, Nursing, Pharmacy, Population Health and the Jefferson Graduate School of Biomedical Sciences.

Jefferson and Abington Health have a combined 19,000 employees and 3,370 physicians on staff. The organizations said its too early to say what the impact of the merger will be on jobs.

Both organizations are financially sound. Jefferson generated revenues of \$2.1 billion and a net income of \$103 million in fiscal year 2014. Abington Health posted revenues of just under \$774 million and a profit of \$17.6 million.

“Neither organization felt we had to do anything,” Klasko said. “We are doing this from positions of strength.”