

## Client Screening Request

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**Request Date:** 4/23/2018 **Additional CC:**   
**Discipline \*:** Health **Company Name:** Avera Health

**Moody's Rating:** A1 (Upper-medium grade; low credit risk); Outl

**Requestor:** Cory\_Gusland; **D & B Credit Score Class:** 6 (High risk of severe payment delinquency over

**A.M. Best Rating:** None

**On High Risk Client List?** ☐ Yes ☒ No

**D & B Financial Stress Class:** 90 (Low to moderate risk of severe financial stress, i **WorldCheck Rating:**

- ☒ N/A  
☐ Criminal  
☐ Money Laundering  
☐ Terrorism  
☐ Corruption  
☐

**Ownership:**

Avera Health, f/k/a Presentation Health System, ("AH") provides healthcare services through its regional medical centers and clinics. The company was founded in 1978 and is based in Sioux Falls, South Dakota. Avera Health operates as a subsidiary of Avera Marshall Regional Medical Center. The South Dakota Secretary of State's business registrations file showed that AH was registered as a Non Profit Corporation on June 15, 1992.

**Officers:**

I profiled the officers named below using the LexisNexis database as well as online news resources. I find no indication that Mr. Slunecka has been involved in litigation or professional misconduct, or been convicted of any criminal wrongdoing. Please note that my findings are not definitive for Mr. Porter due to the commonness of his name.

- **President & CEO:** John T. Porter
- **COO:** Fred Slunecka

The AH website identifies the members of the leadership team, but does not provide biographical information for them:

<https://www.avera.org/about/leadership/>.

**Prior Health Risk Assessment:** ☐ Yes ☐ No

**Noteworthy News:**

A scan using Factiva and Google News produces no coverage that would seem to adversely affect AH's suitability as a client, such as evidence of management upheavals, serious regulatory issues, financial distress or mismanagement. Most recent news of the health system concerns its proposed campus and federal contracts.

- **March 2018:** AH has improved the quality of care, boosted efficiency and reduced costs in its Avera eCARE ICU program. AH credits the results achieved over the past 12 months to employing decision support technology across rural populations, while minimizing gaps in care. The health system tapped Philips eICU program to help improve care quality, efficiency and cost across the intensive care division of its telemedicine program. (*Healthcare IT News*, Bernie Monegain, March 2, 2018, <http://www.healthcareitnews.com/news/avera-health-boosts-icu-care-quality-cuts-costs-analytics-tools-philips>)
- **April 2017:** AH plans to build a new \$134 million campus in southwest Sioux Falls and to make \$40 million in renovations to existing facilities. AH said the first phase of the new campus project will be the construction of a 24-bed surgical hospital and connected medical office building on 82 acres that will specialize in orthopedics and sports medicine, gastroenterology, internal medicine and rheumatology. Construction is expected to begin this fall and the campus is expected to open in early 2020. Avera said it expects more than 600 workers to take part in construction, with a payroll estimated at almost \$28 million. (*The Washington Times*, April 12, 2017, <http://www.washingtontimes.com/news/2017/apr/12/avera-health-announces-new-health-campus-in-sioux-falls/>)

#### Litigation History:

A search using LexisNexis and online news resources yields no new evidence of any worrisome litigation involving AH. As noted in past screenings, AH has been named in only a moderate number of lawsuits, none of which are significant to our purposes. Insofar as I can tell, the company has not been involved in any new litigation since the last screening. The health system has been named in wrongful death actions and a medical malpractice action, and was one of several health systems named as defendants in a class action alleging that it was improper for non-Medicare/Medicaid patients to be charged different prices. This was dismissed in 2007. *Nygaard v. Sioux Valley Hosps. & Health Sys.*, 2007 SD 34 (S.D. 2007)

In February 2012, Dr. Steven Meister, the chief of staff of Avera Marshall Regional Medical Center, sued AH and Avera Marshall, alleging that the hospital has "violated medical staff bylaws, and prevented the chief of staff and the hospital's Medical Executive Committee from fulfilling their duties, including holding meetings of the executive committee, appointing physicians to the medical staff and conducting peer review proceedings." The Minnesota Medical Association's Executive Committee voiced its support for the lawsuit, which is either ongoing or has been resolved in arbitration. (*Source: Marshall Independent 11 February 2012, accessible here: http://www.marshallindependent.com/page/content.detail/id/532436/Avera-lawsuit-gains-support-of-Minnesota-Medical-Association.html?nav=5015*) All said, I have found nothing potentially relevant, such as a dispute with a professional advisor.

#### Comments:

AH was last screened by Chelo Gable in April 2017 at the request of Natanja Hensley. In order to provide you with results in an expedited manner, I have incorporated some of the language from that screen and updated it where appropriate. The most significant change is AH's financial ratings.

The health system continues to screen acceptably. I have found no recent litigation or news items that would seem to affect the health system's ongoing suitability as a client.

The AH D&B ratings are mixed, sitting at opposite ends of the range, and indicating a moderately low risk of financial distress and a high risk of late vendor payments in the ear term. In contrast to the Delinquency Score, the company carries a D&B Paydex rating of 72 out of 100, meaning that 86% of payments are made on time with those that are late averaging 12 days beyond terms. The AH D&B ratings are supported by evidence provided from 189 trade experiences, which is sufficient to provide an accurate representation of a company's financial condition. Since the last screening, the D&B Failure Score has improved while the Delinquency Score has significantly dropped from a moderately low risk to a high risk. That said, the Moody's rating has remained the same, and stayed strong.

Because of the drop in the Delinquency Score, I would advise seeking a retainer should you decide to pursue a business relationship with AH. But overall, I find nothing that suggests an engagement with AH would prove to be a risky proposition for Milliman.

Beau // [beau.preston@milliman.com](mailto:beau.preston@milliman.com)



Avera Health 04.25.2018.pdf  
273.38 KB

☐ Add attachment

- Screening Details

**Screener \*:**

Beau Preston:



**Completed Date:**

4/25/2018

**Report Status:**

- ☐ New 
 ☐ Pending 
 ☐ Secondary-Review 
 ☐ Secondary-Screen 
 ☒ Sent/Complete 
 ☐ Cancel

**Due Date:**

**Health Risk Assessment Form Returned:**

☐ Yes ☐ No

**Client Risk Assessment Statement:**

- ☐ Conditional Acceptance  
☐ Non-Acceptance  
☐ Standard Acceptance

- Data from Consultant

**Date \*:**

4/23/2018

**Client \*:**

Avera Health

**Discipline(s)  
Involved \*:**

- ☐ Casualty  
☐ Employee Benefits  
☒ Health  
☐ Life

**Client Status \*:**

- ☒ New Client ☐ Existing Client  
☐ RMAP Referral

**Client Website URL (if  
known):**

**Casualty consultants: please indicate if this is an 'existing client'  
being screened to comply with discipline periodic screening  
requirements.**

**Type of Client \*:**

- ☐ Public sector/government  
☐ Publicly traded company  
☒ Private company  
☐ New Entity (less than 1 year old)  
☐ Captive Insurance Company

**Client Location \*:**

- ☒ US ☐ International

**Consultant \*:****Names/Titles of Officers (if known):****For international screens, please select 'INTL'  
State \*:****HQ Address:****Do you know of any litigation or other issues of  
which we should be made aware \*:** ☐ Yes ☒ No**Additional Comments to Aid the Screening:**[Click here to attach a file](#)☒ Add Attachment

\* -indicates required field