

Medical giants seal rift over money

Texas Heart Institute drops its suit; Catholic Health ups deal to \$220 million

By Todd Ackerman
and Anita Hassan

The Texas Heart Institute will partner with the Catholic hospital chain that bought the St. Luke's Episcopal Health System, ending a contractual dispute tied up in a Harris County district court since May, the two institutions will announce Monday.

Texas Heart and Catholic Health Initiatives have signed a letter of intent to finalize a contract that will provide the heart institute \$220 million over the next decade, up from \$3 million a year under the current agreement. As a result, the institute dropped its lawsuit asking a judge to dissolve the current agreement.

"The additional financial support is awfully important to us," said Dr. James Willerson, president of the heart institute. "But this new deal is much more than that - it will bring us referrals of complicated heart cases from around the country, allow us to expand our research and educational programs and provide us national opportunities to promote the importance of cardiovascular health."

The institutions said they expect to have the contract finalized by Dec. 1.

The development comes five months after the announcement that Catholic Health, an 84-hospital system headquartered in Colorado, would buy the St. Luke's system from the Episcopal Diocese of Texas for \$1.26 billion. An affiliation agreement that governed the relationship between Texas Heart and St. Luke's was to be transferred as part of the sale.

The heart institute, independently owned and governed, chafed at the impending transfer. Housed at St. Luke's and considered its most valuable asset, it argued in the May 16 lawsuit that St. Luke's has "starved" it of the central benefit of the affiliation. St. Luke's financial support, which covered 40 percent of Texas Heart's annual expenses in 2004, had dwindled to about 10 percent, the suit claimed.



Texas Heart founder Dr. Denton Cooley, left, and Catholic Health President Kevin Lofton.

Obstacle faded away

Though the suit was considered a possible obstacle to the sale's completion, the deal was finalized 15 days later.

Catholic Health President Kevin Lofton said he couldn't speak to the past agreement the institute had with St. Luke's or why a lawsuit came into play. Catholic Health inherited the suit after the sale was finalized.

"I would just say that I think the agreement had run its course," Lofton said. "As a new partner for Texas Heart, (we) felt that we would just start from scratch and develop a relationship that we both were comfortable with that would lead us into the future."

Dr. Denton Cooley, founder of Texas Heart, says the partnership with Catholic Health is by far the most satisfactory resolution for the heart institute. Cooley in April all but campaigned for St. Luke's to be sold to Houston Methodist Hospital - he told the Chronicle that uniting the heart institute with the program once headed by Dr. Michael DeBakey would be "a perfect solution" - but Friday he dismissed his instinct as "emotional and sentimental." He said the selection of Catholic Health was superior for maintaining the heart institute's independence and positioning it for the challenges of health-care reform.

The suit had resurrected the possibil-

ity Texas Heart could still partner with Methodist if the judge ruled the institute was a free agent and not bound by the contract. But Cooley said there was never "a serious threat" the heart institute would leave St. Luke's. He said there were no discussions with Methodist after the suit was filed.

The partnership with Catholic Health makes possible Willerson's dream of a heart hospital within a rebuilt St. Luke's. Willerson said the institutions' leaders have talked repeatedly about the possibility and that Catholic Health is supportive of the idea. Texas Heart scientists now conduct research at the institute but perform procedures elsewhere at the hospital.

New governing board

The new contract's \$220 million support for Texas Heart includes \$50 million from the Episcopal diocese, money it realized in the sale. The Rt. Rev. C. Andrew Doyle, bishop of the diocese, said "it has been our goal to secure a long-term, strong and healthy relationship between Texas Heart and St. Luke's (and) that didn't change with our transfer of the system to Catholic Health."

The contract calls for a new Texas Heart governing board that will be comprised of eight heart institute appointees and seven Catholic Health appointees. Willerson said a number of the 50 members of Texas Heart's current board likely will be named to the new board.

Under the letter of intent, the two institutions will now enter exclusive negotiations and undergo what Lofton called "detailed due diligence." Heart institute attorney Richard Mithoff said both parties are optimistic the deal will close by the deadline and called the resolution "a win-win for all."

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