

Transcript | Transformational Partnership: How Renown Health and Kaiser Permanente are redefining community-based care

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I'm John Poziemski, Managing Director at Kaufman Hall. Today I'm joined by Dr. Brian Erling, President and CEO of Renown Health, a health system serving the Reno Tahoe region.

Recently, Renown took an important strategic step—entering into a strategic partnership designed to strengthen its ability to serve its community well into the future. We look forward to discussing that today.

Dr. Erling, appreciate you joining me today. Tell us about Renown Health and what attracted you to the opportunity to lead the organization.

Dr. Brian Erling

Renown Health is an integrated not-for-profit health system located up in Reno, Nevada, which is on the northern part of Nevada on the California border, right by Lake Tahoe and the Northern Sierras. We are a three hospital system. Our flagship hospital is an 850-ish bed level two adult pediatric trauma center.

We have a medical group of over 700 providers. We have a health plan, Hometown Health, which will be the topic of some of our conversation today. We are the academic affiliate with the University of Nevada Reno School of Medicine. We're a not-for-profit health system, and so if you look at the geography, we serve about 100,000 square miles around us. We're really the only high acuity service [provider] from Sacramento to Salt Lake City. We take that responsibility very seriously.

In our primary service area, we have about a 70% inpatient market share, which is around 50% when you head out to the rural [areas], so essential for our community.

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Can you tell us a little bit about just the dynamic between Renown Health, the care delivery system, and Hometown Health, the health plan, and what's worked and maybe what hasn't worked all that well historically?

Dr. Brian Erling

I started in November 2022. One of the [key] features was the health plan. If you're really committed and your mission is committed to keeping healthcare affordable, you really need to have a health plan. Otherwise, all that great work you do on affordability really just increases profitability for the insurance companies. It doesn't necessarily translate to lower premiums for your community.

That was very important to me. When I started in 2022, just like much of not-for-profit healthcare, Renown was struggling. It was public. It was in the newspaper. I think the loss in 2022 was about \$100 million. The health plan was a pretty significant driver of that.

I joined a board strategy session that was about a month before my official start date.

You were in the room, as were your colleagues. We were really discussing, "what is the most appropriate path forward?" We had a very important heart to heart about [what's] important to all of us on, at a board level from a governance standpoint.

Everybody really stacked hands and said, "...Keeping healthcare affordable is part of our mission." But the health plan started in 1988. So much great work had happened prior to my arrival and continued after I came in with the health plan. We went from a three and a half star, for example, to a four star to a four and a half star.

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All the right work was happening, but we're not a big health plan. We had 150,000 members prior to the pandemic coming out of the pandemic, like today, I think we're at 77,000- ish.

So we didn't have the scale to put in place the technology, to really drive the care pathways that you need to drive as a small regional health plan. We also struggled just selling product when we have a lot of folks who wanted to buy health insurance from us. We're the only Nevada based not-for-profit health insurance company. We're local, people were committed to that.

But the bigger national companies, we couldn't meet what they needed. Even companies that had maybe branches also in Vegas. We had a network down there, but we weren't really down there. And so it was hard to be high performing. Despite a lot of great work, we just didn't really have the scale to perform the way we needed to.

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What ultimately triggered the decision to explore alternatives for Hometown Health?

Dr. Brian Erling

Seven figure losses—essentially every month—is not sustainable when we're trying to turn around the hospital operations. And, you know, much of healthcare had a nice turnaround into 2023 and 2024.

Renown was no different. We had a very solid turnaround from an operating standpoint, but our performance was being continually dragged down by the health plan. So, we had the question of: do we sell it? Do we close it or do we join venture it? But we knew the current model wasn't working. And we had put in place a bunch of value-based care incentives with our own medical group, with some of the groups in town that are the independent groups that are part of the network. We were not moving the needle at all.

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What did that process look like for you, your board, and your leadership team? Can you give us any insight into that?

Dr. Brian Erling

We wanted to stay in the health insurance business, and we knew we needed a partner. So, we made the decision to go in through an RFP process. We did say, "Who would we want to partner with?" We didn't feel like our mission would align if we were partnering with a peer payer. We preferred to partner with a not- for-profit provider payer.

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And the board was supportive of that process and part of that process naturally as well.

Dr. Brian Erling

Taking a step back and saying, "What is the right thing to do here?" And really having the humility to say, "If we really want to meet our commitment to our community, we can't do this alone. We need somebody who has the buying power and the scale and the capabilities."

That was probably the biggest hurdle. The board was wildly supportive of all of the work and continues to be supportive through the process.

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After you initiated that process, what was Renown looking for out of a potential strategic partner?

Dr. Brian Erling

It was important for the Renown board that we maintained our independence as a health system. Hometown Health is wholly owned by Renown, but it's a separate organization. And we really wanted—when it came to the hospitals, the medical group and all the things that we do from a care delivery standpoint—it was important to us that that remained Renown.

We are a small-ish regional health system, so a lot of organizations would love to just say, "Hey, why don't we buy you and bring you in?" No, that's not what we're looking for. We just want to partner on the health plan, so help us, if you're willing to do that, then we can continue talking.

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Were there any other criteria that were critical, you know, as you started that exploration process?

Dr. Brian Erling

It's really about feel and mission alignment. We needed the health plan to be sustainable, so we talked a lot about the economics, but we wanted to drive value to our community, better outcomes, better quality, more access. All of those things needed to land and obviously they did.

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So fast forward to today. You've announced your partnership with Kaiser, which has been in the headlines and obviously is a very exciting development. What can you tell us about the partnership with Kaiser?

Dr. Brian Erling

First off, mission alignment and performance. I mean, we had mentioned down, being down to 70-something thousand members, they have 13.2 million members, at least they did, they probably have more than that by now in their health plan. There, but so, you know, from a scale standpoint as somebody who can do it and has done it, their outcomes are proven to be better than most any other managed care organization around the country.

So we knew that we'd be doing something that was transformational for our community. We knew we would be dancing with a very big partner, which can make you a little nervous, which is why you get great partners like Kaufman Hall, and we had Manatt on our legal side, and we have great partners that help us through that transaction. We really said, we really need to take that risk, if you will, if we want to do something magical.

And the experience has been nothing but incredibly collaborative with Kaiser Permanente through the whole process.

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And so Hometown Health today, or you have members that are associated with Hometown Health that Hometown Health serves, those members will now be part of Kaiser Permanente Nevada, as you had mentioned. How will those members be served differently, if at all?

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Dr. Brian Erling

In 2026, no significant difference. This is a big transitional year. We will be splashing the market in June and July to promote what will be Kaiser Permanente products in the market into 2027.

So really it's a very transitional year, but you know as you can imagine, Kaiser Permanente is very protective of their brand. And so they're not ready to advertise something as Kaiser Permanente unless they can deliver on their brand promise.

We plan to have the clinics open, we plan to have the IT integration fully in place so that member experience is truly what would be expected from any other Kaiser Permanente market.

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You mentioned the unique nature of this partnership for Renown, but also for Kaiser, right? It's effectively a one of one, arguably in the national landscape. What was the reaction from the community and key stakeholders in your marketplace?

Dr. Brian Erling

Well, there's a lot of different stakeholders. When we initially put the press release out, the comments being posted nationally were 97% positive. And I think part of that is because this collaboration isn't a takeover. This isn't an acquisition, this is a new model of care coming to our community.

And the majority of the transplants that are coming into Reno are coming from California and many of them have had Kaiser or certainly are familiar with Kaiser. And so it was very positive. Our economic development folks [were] super excited. Kaiser has contracts with 70 of the Forbes 100, and those organizations all need to check boxes when they decide when and where to open a new headquarters or a distribution center or something like that. And so this is a big improvement for the community.

Employees were super careful in our messaging to lead with, this is Hometown Health, not Renown, Renown is Renown, nothing changes. Renown has a contract with Hometown and Renown will then have a contract with Kaiser Permanente, Nevada. So this is better for our community. The Hometown Health CEO, Bethany Sexton, is an outstanding leader. She's a very people first person, and her meeting with them was wonderful. And our medical group, lots of questions.

And, you know, it's better for them to hear from the physicians at Kaiser Permanente as to what that looks like because for the KP members, they, we are going to be expected to follow care pathways. Which is great because we can then use those pathways on our entire population, which is better for our value-based contracting, for our other employees, for our other payers and better for our community.

So that was very positive. Independent groups had some questions because the Kaiser Permanente model is a closed model in most markets. And so we had to start with, well, you have many of them have worked in the Bay Area and, and yes, Kaiser Permanente is a closed model in the Bay Area.

This is a joint venture that doesn't exist anywhere. So you've never seen this before. So we had to explain to them that, no, this is still a pluralistic model. The network that Hometown Health has will be the network that Kaiser Permanente has, but you will be expected to deliver value-based care.

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You mentioned Kaiser's traditional model of closed network, but what does the specialist, specialty model look like, and maybe how is that a little bit different?

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Dr. Brian Erling

Yeah, I think that's a key. So when I talked about us having our must-haves, one of my must-haves was that the hospital-based care and the specialty care needed to be provided by Renown. We really wanted to create that distinction and, and it was agreeable. Now, we will expect all of our specialists, our hospitalists when they're taking care of these folks, they may have different pathways to follow, mainly because there's different resources available.

It's not about treating people differently. It's just that they have the ability to get somebody in at 8 AM tomorrow, so maybe they don't need to be admitted and, and they have a dedicated case manager that's going to work with it. So there's different ways that you care for the patients. We will then provide the specialty care, but it's on us to deliver results.

So we have essentially the right of first refusal to provide—let's just use an example, cardiology services to one of the clinics. That may be in our cardiology clinic, taking care of them and following the pathways, or it could be dedicated specialists that go to the KP clinics and provide the care. If we aren't going to provide it, that's something that is mutually agreed upon.

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So Dr. Erling, when you think about these unique and innovative models and partnerships, it strikes me that they can succeed and fail for a variety of reasons, but one of the reasons they succeed is because a really thoughtful communication plan and socialization process has put, been put in place.

How did you think about the communication plan in your market for Renown as this was kind of coming to fruition?

Dr. Brian Erling

About six months before we signed the transaction, we really started the communication plan. For example, I met with every county commissioner and all the city elected officials and gave them a tour of one of our facilities that we had opened. I always included, "We are working. I just want you to know we're working on a partnership. I can't give you a lot of details, but I do want you to know that it's, we're really excited what it's going to bring to the community." We started to socialize it that way, so people were like, "Okay, there's something happening. This isn't going to be a headline that I'm going to read."

We then had a spreadsheet with about 400 lines of key stakeholders that we had put together. Maybe it's key physician leaders in the community or practice leaders, elected officials, you know, business leaders, the list goes on and on and on, and we signed them to everybody.

That really helped with the messaging because all we can control with the media is our press release. We were really wanted to make sure that this was a lot of word of mouth and that people felt like there were no surprises that they were brought along the journey with us. All in all, the intentionality of it led to a very successful communication campaign.

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So more than just getting the deal done, what does success really look like?

Dr. Brian Erling

I think it's the triple win, right? It's a win for the joint venture for KP. It's a win for Renown. It's a win for our community. I put those in no specific order, right? We obviously have key performance indicators

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for the joint venture that are just what you'd expect, growing membership, you know, getting to sustainable margin growing our access points, for our community, all of those, but really it's, it's also doing that in a way that Renown continues to perform the way it's performing and continue to grow to meet our community's needs. I'm really excited about the new access points. And we've had very aggressive, primary care and specialist recruitment at Renown of those 700 plus providers I mentioned, 100 of them, net 100 of them have been in the last year.

That's huge growth, and now layer in this entire other model. And as you know, some physicians are attracted to practice in this environment, some people want to practice in that environment. So, we kind of have a plurality. We allow the providers to be attracted to either model. And the same thing goes for the patients. Some like a heavily primary care managed, Kaiser experience, and some want a little bit more of the independent referral process that you can get with other products. And we're just excited to be able to offer both.

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If you take a step back, what will be critical to realize the vision of this partnership? Like, what are the two or three things that are, are really the linchpins for success here?

Dr. Brian Erling

It's going to come down to growing our membership—really trying to get our model bigger than just our primary service area and be able to grow out to meet the rural needs. Nevada's an impressively rural community. And so the ability to get out there and extend that kind of model out to the rurals. And we believe that we can make healthcare significantly better for Nevada and in particular, Southern Nevada.

If you look at where Nevada ranks nationally on many of the publicly reported information, it's like bottom five. Access to healthcare providers, specialist providers, all of those things, we're we rank very low across the nation. The big population center is definitely Clark County, which is Las Vegas.

Washoe County, where we are, has a little over 500,000 members. I think they have over three million folks down there, and so we believe we can truly impact healthcare in Nevada as we grow into Southern Nevada, which again is something that we're going to be excited to be, doing over the next two to three years.

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Dr. Erling, what's next for Renown?

Dr. Brian Erling

June will mark the fifth-year anniversary of our affiliation with the University of Nevada Reno School of Medicine (UNR). We also have an affiliation with the school of nursing as well as other community colleges. So, we're about a year into our 10-year strategic plan that we've put together. And one of the big pieces there is continuing to grow as an academic health system. And so, you know, as we continue to grow our, our specialists, as we continue to provide base of the pyramid access, primary care, peds, OB/GYN, those sorts of things.

We have a strategic plan. We've applied to start an OB/GYN residency in 2027. We ranked very low in maternal health, a general surgery residency in 2028. We are looking to grow our clinical trials for our community. We have tripled the number of clinical trials available at Renown in the last three years.

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We are starting a capital campaign to grow our children's hospital, including building a freestanding children's hospital as well as an expansion of our cancer services. One of the questions we asked when we did our strategic plan is, what currently leaves our community that if we provided the care, people could get care closer to home. And there's some things we can't. I just said we have 500,000 people in our catchment area or in our primary service area in Washoe County. That's not enough for us to have, say, advanced pediatric cardiac surgery program, but there are things that we could be providing.

And the testament to that is pediatric care. If you go back eight, nine years, about 30% of all kids in our primary service area that need to be admitted left our community. They either went to the Bay Area or to Las Vegas and now it's less than 3% through a very committed recruiting process around medical and surgical pediatric subspecialists.

So, we started a kidney transplant program as part of our strategic plan. We brought and started an ECMO program into our ICUs, all of that about keeping more care local that was currently leaving. And in our cancer services, we're exploring and currently working right now to start our cellular therapies program this year, as well as bone marrow transplant over the next three to four years. So those are kind of the next big things. But [we're] really just growing to meet the healthcare needs of our community.

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What's contributed to the ability to bring in more destination services?

Dr. Brian Erling

Two things. We have a very generous community that very much cares about healthcare in our community. We cut the ribbon this past year on the new Conrad Breast Center, which is a fully integrated—from screening all the way through treatment—breast cancer center.

And so, we definitely need our community to be engaged. But the UNR affiliation has really moved the needle. Our ability to recruit, for example, the two transplant surgeons that we recruited to start our kidney transplant program, we're not, probably not going to come, although I haven't asked them directly, but probably not going to come if we weren't also, you know, they didn't have the opportunity to work at the school of medicine to continue research projects and teaching and things like that. So, it's elevated the caliber of physicians and specialists that we're able to bring and it's really enabled the strategic plan.

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Have you seen the economic and employer landscape change at all in the greater Reno area as well?

Dr. Brian Erling

Yes. I think if some people in their head probably have images of that it's a gaming town. The gaming industry is less than 5% of the economy in Northern Nevada. It was more than 20% in the past. So now we have Tesla here, Amazon distribution centers, Microsoft, a lot of data centers are coming, a lot of other distribution centers—and so really just continuing to grow and grow good paying jobs for our community. So, we're continuing to grow above the national average with higher than average, median wages. And so that of course helps when you're trying to grow a health system.

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What have you learned? I mean, you're in such a unique situation. There's so many CEOs out there who would love to have an integrated health system with the health plan vehicle, like I talked about. What, what have you learned about leading and operating that kind of organization?

Dr. Brian Erling

When I came in 2022, a lot of health systems around the country were pulling their labor lever pretty hard, right? I mean, that's our biggest cost and everybody was stressed. And when I looked at Renown, we had a six month wait to get into our neurologist as a new patient. There was all this demand, and we took a very opposite approach. We took a people first approach. It's the first pillar in our five pillars in our strategic plan, and we leaned into that heavier than I'd ever leaned into it in my career.

And it made me a little nervous because it is easier to be pulling some of these other levers and said, "We're not going to do that. We're going to do all the usual cost work. For other health system and hospital leaders that are watching this, yes, we all have the same list of initiatives and we're all doing all the exact same work." Maybe if it was a stagnant market and it wasn't growing and we didn't have the demand, you wouldn't lean so heavily on growth to pull you out, you would have more cost initiatives.

We said, we're going to do all the cost initiatives minus the labor piece, other than productivity and the usual management. We're not closing service lines; we're not laying people off. We're going to do the opposite, which is we're going to put together a benefits package that is better than any other healthcare employer, and we're going to have the best people, and from that, we're going to have more growth to pull us out.

And it absolutely worked. Our turnaround, again, the healthcare industry turned around, but, you know, certainly from talking to folks with a national view, I think we outpaced the industry pretty significantly in that turnaround. And you know, I'd say it's all about having the best team around you, and this is certainly the best team I've ever worked with, at any point in my career.

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What is your advice for other organizations considering a model like this?

Dr. Brian Erling

It's okay to have a partner sometimes. Obviously get the best support you can and the best help, the best, best resources. There are people that do this all the time. And I've done some deals in my time, but I've never done anything like this. And so having a lot of eyes and people that have done a lot of merger and acquisition work on the team, from a consulting standpoint has been absolutely critical.

Kaufman Hall

Yeah. Well, we've had a similar experience. I think almost unanimously what we've heard from our clients nationally is a lot of interest and intrigue in terms of what you've done, but also wanting to learn more, which is, I think, a part of the reason that we wanted to have this conversation with you today.

Dr. Brian Erling

This is incredibly complex. So, you know, get your partners with you that have done this. You know, again, gratitude to you, John, to the mergers and acquisition team at Kaufman Hall, to Manatt who provided our outside counsel to this process, because we're super excited about what we're doing together.

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Sounds like a unanimous approval. Congratulations again, Dr. Erling. Thanks again for spending time with us today.

Dr. Brian Erling

Absolutely. Thanks, John.