Lucky Star Communications Community Coalition Slams VMG Health Appraisal of Summa Health as Distorted, Incomplete

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AKRON, OHIO ?The grassroots advocacy group Summa Is Not For Sale has issued a formal statement condemning the recent valuation of Summa Health by Nashville-based consulting firm VMG Health. The appraisal was conducted in connection with the proposed acquisition of Summa Health by private equity-backed General Catalyst.

The coalition charges that the valuation is fundamentally flawed, grossly undervalues the health system, and leaves out critical historical and financial context that misleads stakeholders and the public. Citing major omissions, distorted financial comparisons, and suspect motivations, the group is urging Ohio Attorney General Dave Yost to immediately reject the VMG Health appraisal and order an independent reappraisal.

These are some key allegations and findings:

Material Valuation History Was Deliberately Omitted. One of the most egregious issues identified is VMG Health?s failure to mention a key transaction in Summa?s history:

In 2013, HealthSpan Partners (a subsidiary of Bon Secours) invested $250 million in Summa Health for a 30% stake, implying a total enterprise value of $833 million.

In 2020, Summa Health repurchased that 30% stake for $250 million, reaffirming the implied valuation.

?This was an arms-length, uncoerced deal between a willing buyer and seller,? said Jeff Barge, spokesperson for the coalition. ?The idea that this transaction was ?accidentally? left out of the VMG report is not credible. It?s deception by omission.?

Despite this valuation history, VMG?s 2024 report pegs the entire value of Summa Health at $485 million?a

42% decline with no explanation, even though financial records from 2024 show Summa holding $153 million in cash and cash equivalents and $578 million in unrestricted investments.

Revenue Multiples Are Manipulated. The VMG report applies a 0.25x revenue multiple, which dramatically underestimates Summa?s value. According to the coalition and widely recognized industry standards:

The standard multiple for hospital acquisitions is typically between 0.6x and 0.7x, sometimes reaching as high as 0.83x in comparable transactions.

Examples of recent, more appropriate benchmarks include: Mission Health (NC) sold to HCA at 0.83x revenue; Geisinger Health acquired by Kaiser?s Risant Health at 0.72x: SCL Health merged with Intermountain Healthcare at 0.70x: St. Joseph?s Health merged with Trinity Health at 0.60x.

Had VMG used even a conservative 0.70x multiple, Summa Health would be valued at over $1 billion?more than double the figure VMG presented.

In contrast, the comparables used in the VMG report involve distressed hospital systems: Verity Health (Los Angeles): 0.36x revenue (bankruptcy case); UnityPoint Peoria: 0.34x revenue; AdventHealth Chicago: 0.57x revenue

?These are cherry-picked, distressed sales designed to engineer a lowball valuation,? said Barge. ?This is spin, not analysis.?

Book Value Ignored Entirely The coalition also notes that VMG neglected to address Summa Health?s book value, despite listing it as a valuation factor.

As of September 2024, documents filed with the EMMA bond tracking system showed Summa?s book value at $943 million?almost double VMG?s assigned enterprise value.

Real Estate Assets Were Excluded from Appraisal According to the report, VMG made a deliberate choice not to value Summa?s real estate holdings, including:

More than $350 million invested in new construction over the past several years.

?The replacement cost of this infrastructure is enormous,? Barge said. ?To omit it from the valuation is professional negligence?or worse.?

Potential Conflict of Interest by the Appraiser VMG Health is owned by a private equity firm, raising serious ethical concerns about its objectivity. In this case, one private equity firm (VMG?s parent company) is providing a valuation on behalf of another private equity firm (General Catalyst), setting up what the coalition sees as a clear conflict of interest.

Lack of Public Oversight and Legal Safeguards The community coalition also criticized the structure of the proposed sale:

General Catalyst has promised $400 million in investment over the first five years, with an additional $350 million over seven years, but:

There is no mechanism for annual public disclosure of these investments.

There is no legal enforcement mechanism if the promised investments are not fulfilled.

Furthermore, the post-sale governance plan gives General Catalyst exclusive power to appoint the board of directors, leaving zero public oversight of Summit County?s largest healthcare provider.

?This is a recipe for accountability collapse,? said Barge. ?There would be no watchdog, no recourse, and no transparency.?

Questionable Executive Bonuses Signal Potential Illegal Inurement Perhaps most disturbing, the group highlights that Summa CEO Dr. Cliff Deveny is set to receive a $1 million "retention bonus", and COO Ben Sutton will receive a similarly large payment.

These bonuses are being awarded despite years of alleged financial underperformance under their leadership.

?The public is being told this deal is necessary because Summa is financially distressed. If so, why are the very executives allegedly responsible for this distress being rewarded with million-dollar bonuses?? asked Barge. ?It appears to be a bribe in exchange for signing off on a lowball sale, which would constitute illegal private inurement?a violation of both Ohio law and Summa's nonprofit charter.?

Future Strategic Value Deliberately Excluded Despite General Catalyst?s claims that it will ?transform? Summa Health with advanced AI tools, the VMG appraisal explicitly ignores Summa?s future strategic value, which valuation standards normally require.

Moreover, General Catalyst?s proposed innovations?like AI-driven documentation and digital workflow improvements?are already being implemented at institutions like Cleveland Clinic, without private equity ownership.

GC?s leadership team, including Dr. Marc Harrison and Josette Beran, previously worked at Cleveland Clinic, raising doubts that their strategy is uniquely transformative.

The VMG report also notes that non-profit buyers exist and are willing to merge with Summa, without executive bonuses?but these offers were reportedly dismissed without explanation.

Vague and Nonbinding Community Foundation Promises The only potential benefit cited for Akron residents?the creation of a new community foundation?remains alarmingly vague:

The amount to be contributed is only described as ?hundreds of millions??a phrase that could mean $200 million or $600 million, a $400 million spread.

Journalists and elected officials have been unable to extract a specific number.

?A community foundation that may or may not be funded, governed by appointees of the seller, and reported with no transparency, is not a public benefit,? said Barge. ?It?s a talking point.?

Conclusion: A Broken Deal That Must Be Stopped The Summa Is Not For Sale coalition concludes that the VMG Health appraisal fails to include essential financial history, uses distressed comparables to justify a low valuation; ignores Summa?s substantial assets and strategic future value; raises serious conflict-of-interest concerns; facilitates improper bonuses to executives; strips Akron of healthcare oversight and transparency

The coalition has formally called on Ohio Attorney General Dave Yost to reject the VMG appraisal and commission a new, independent valuation.

Copies of the complaint have been forwarded to VMG Health appraisers Todd Sorensen, Colin McDermott, and William Teague for their response.

?Akron is not for sale, and Summa Health is not distressed,? said Barge. ?It?s time for our leaders to stand up and protect the people?not private equity.?

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