

Erlanger seeks to join South Carolina health system in proposed \$2 billion deal

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Erlanger Health could become part of one of the Southeast's largest nonprofit health systems under a proposed partnership with South Carolina-based

Prisma Health, a move leaders say would bring \$2 billion in investments over 15 years and transform Chattanooga's flagship safety-net hospital.

Health system leaders on Wednesday signed a nonbinding letter of intent, beginning a 120-day due diligence period before the proposal can move forward. Any final agreement must still be approved by Erlanger's board, the Erlanger Health Oversight Panel, Hamilton County commissioners and state and federal regulators.

Jim Coleman, Erlanger's president and CEO, said the agreement would allow much-needed upgrades to facilities and equipment, expand outpatient care and strengthen the health system's ability to keep up as the industry increasingly shifts away from traditional hospital campuses.

"We see what we need every day, and we just can't write a check for it and buy it," Coleman said in an interview.

Erlanger is the last remaining Chattanooga-based independent hospital system. Its primary competitors are part of much larger organizations – Chicago-based CommonSpirit Health, a national nonprofit health system, and Nashville-based HCA Healthcare, one of the nation's largest for-profit hospital companies – giving them access to substantially greater financial resources for expansion and capital projects.

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Dr. Christopher Poole, an Erlanger board member and medical staff leader who helped evaluate potential partners, said the health system is grappling not only with aging infrastructure but also mounting financial pressure from federal Medicaid cuts and state policy changes outside Erlanger's control. As a result, the board concluded it would be difficult to carry out its long-term modernization plans alone, he said.

Those plans largely center on expanding Erlanger's outpatient footprint through standalone surgery and imaging centers.

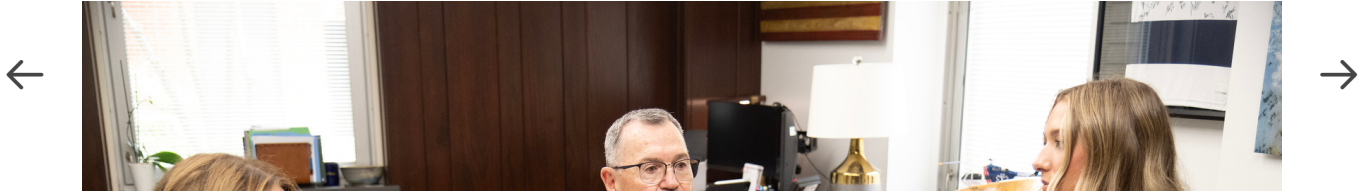
Poole said the proposed partnership would give Chattanooga-area patients access to the kinds of facilities, technology and specialty care commonly found in larger metropolitan areas.

Photo Gallery

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"The physicians here will be excited to have resources, to have the equipment and facilities that they need to provide the care for patients that we would want for our family members," he said. "And if you can do that, you can continue to recruit good, young, talented physicians to the area."

The proposal comes three years after Erlanger moved from a public hospital authority to a private nonprofit organization, a transition leaders said gave the health system greater financial and strategic flexibility while preserving some public oversight.

As part of that transition, Erlanger entered a 15-year mission agreement requiring it to preserve its role as a safety-net provider, teaching hospital and regional referral center while maintaining certain services, including its children's hospital and Level I trauma center.

If approved, Erlanger will keep a local board for up to nine years and get two seats on Prisma's 11-member corporate board, Coleman said.

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"That was something they gave to give us a little more comfort, that there's going to be Chattanooga voice and direction from Chattanooga," Coleman said.



Prisma would establish its East Tennessee regional headquarters in Chattanooga, where Coleman would serve as regional CEO. The health system already operates Blount Memorial Hospital in Maryville.

Coleman said Erlanger considered multiple potential partners before selecting Prisma because leaders believed it best matched the health system's mission and long-term vision.

Based in Greenville, Prisma Health is South Carolina's largest nonprofit health system, formed in 2017 through the merger of Greenville Health System and Palmetto Health.

The system encompasses 20 hospitals, including specialty hospitals, more than 3,000 licensed beds and 490 physician practice sites, serving more than 1.6 million patients annually across South Carolina and Tennessee, according to the health system's 2025 fiscal year statistics.

Like Erlanger, Prisma operates the only Level I adult trauma center in its region and has children's hospitals in both Greenville and Columbia with pediatric intensive care, neonatal intensive care and dozens of pediatric subspecialties.

Erlanger, Prisma compared

	Erlanger Health	Prisma Health
Hospitals	6	20
Employees	8,000+	33,000+
Licensed beds	About 1,000	3,166
States served	Tenn., N.C.	S.C., Tenn.
Children's hospitals	1	2
Trauma center	Level I	Level I adult / Level II pediatric
Residents & fellows	215	713
Residency & fellowship programs	24	54
Emergency department visits	About 169,000	624,500
Annual surgeries	About 44,600	About 117,100

Sources: Erlanger FY25 fact sheet; Prisma Health FY25 Highlights & Statistics report.

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Prisma has felt like a partner from the beginning, Coleman said.

"I've never heard the words ... 'We're going to buy you out. We're taking you over.' That's not the attitude," he said, but he added, "That's what's happening. We're becoming part of the system for a huge investment.

"But ... they're going to profit from that investment, and so is Chattanooga," he said.

Coleman said years of work by Erlanger employees transformed the health system into an attractive partner for a nonprofit organization with similar values, adding that the proposed deal would strengthen – not change – Erlanger's longstanding mission to care for all patients.

All employees and medical staff in good standing will remain part of Erlanger for now and eventually move to Prisma's payroll and benefits system. At this time, nothing is changing for patients, and all appointments and services will continue as usual, he said.

Details of co-branding are still in the works, but Erlanger will always be part of the name, he said.

After four months of due diligence and signing an agreement, Coleman estimated it would take about a year to convert all of Erlanger's systems to theirs.

"It's going to create lots of opportunities for the employees," Coleman said, referring to the outpatient facilities and expansion projects Erlanger hopes to build through the partnership. "All these new sites, we're going to be probably adding to our workforce instead of taking away from our workforce."

Erlanger has launched a website, erlangerfuture.org, for those seeking information and updates.

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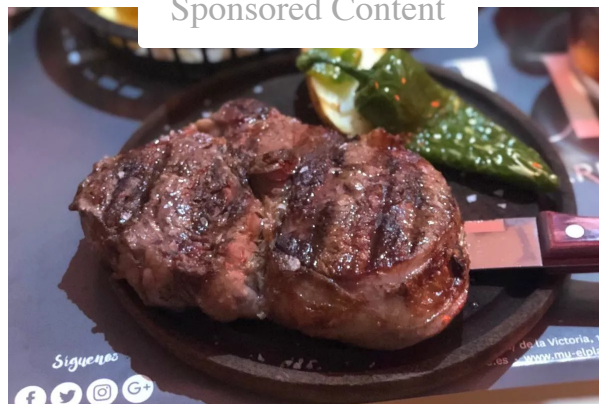
Elizabeth Fite is the healthcare reporter for the Chattanooga Times Free Press. She covers rural healthcare, hospitals, health insurance, public health and health policy, with a focus on explaining and investigating how healthcare systems and safety-net programs work — or don't — for the people who depend on them. She joined the paper in 2017 after earning a master's degree in Health and Medical Journalism from the University of Georgia.

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