

**Agenda Item Details**

Meeting	Mar 26, 2025 - City Commission Meeting & Summary
Category	12. POLICY FORMATION AND DIRECTION
Subject	12.01 Tallahassee Memorial Healthcare (TMH) Governing Restructure Proposal -- Reese Goad, City Manager and Amy M. Toman, City Attorney
Access	Public
Type	Information

Public Content

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Statement of Issue

This item provides background information regarding the ownership and operation of Tallahassee Memorial Healthcare (TMH) in order for the City Commission to best evaluate a request from TMH to restructure the governance model of the hospital (Attachment 1).

The hospital, now commonly known as Tallahassee Memorial Healthcare, was founded by the City in 1949 and has since grown into an urban, nonprofit, community-based hospital serving a 21-county region across North Florida and South Georgia. The hospital has evolved from a city-operated entity into a nonprofit-managed regional healthcare provider since transitioning to a lease-based model in 1979. Over the years, TMH has expanded its specialty care services, trauma capabilities, and regional footprint, aligning with national trends where independent hospitals integrate with larger health systems to ensure financial stability and service expansion.

The City of Tallahassee owns the hospital's land, buildings, and assets, while TMH operates the hospital as an independent nonprofit healthcare system under a long-term lease agreement. The City owns approximately 75 acres of land and approximately 2 million square feet of building space encompassed by TMH as the lessee.

TMH recently requested the City restructure the hospital's governance model and establish a new Health System Board. Under this proposed model, the new board would oversee the broader TMH health system, while the existing TMH Board would continue to manage the hospital's day-to-day operations.

As part of this proposal, TMH has acknowledged the City's ownership of the hospital as well as its authority to confirm appointments to the existing TMH Board. The new model, however, would not give the City confirmation authority over appointments to the new overarching Health System Board. This governance shift would limit the City's role in overseeing broader strategic decisions affecting the health system.

Given the City's ownership of the hospital property and assets and its oversight authority, TMH's request presents a significant change in the governance of the community hospital. The proposed governance restructuring must be reviewed to ensure the City's interests are preserved.

In light of TMH's proposal, staff will evaluate whether continued City ownership remains in the City's long-term interest. As part of this analysis, staff will also explore the feasibility and potential advantages of a possible sale of the property, considering all available options and approaches.

Recommended Action

Information only

Supplemental Material/Issue Analysis

History/Facts & Issues

History of Tallahassee Memorial Healthcare

The City of Tallahassee retains ownership of the land, buildings, equipment, and other assets associated with Tallahassee Memorial HealthCare (TMH). At the same time, TMH operates the hospital as an independent, nonprofit healthcare system under a long-term lease agreement with the City. This structure allows the City to retain ownership and oversight while enabling TMH to expand its medical services and partnerships. Today, TMH is a 772-bed acute care hospital serving a 21-county region across North Florida and South Georgia. It employs 4,909 full-time equivalent staff members and operates multiple specialty care centers, a psychiatric hospital, 50 affiliated physician practices, and four physician residency programs. TMH has grown into a regional healthcare provider, offering advanced emergency care, surgical services, and specialized treatment programs in areas such as cardiology, neurology, oncology, orthopedics, and trauma care.

The City founded, owns, and continues to control the land and facilities of TMH, ensuring that the hospital remains a community healthcare asset. In the 1940s, the City amended its City Charter to acquire land and build a municipal hospital to serve the region's growing population. The hospital opened in 1949 on City-owned land at the intersection of Magnolia Drive and Miccosukee Road. Over the next few decades, the City expanded TMH, adding new patient care areas, surgical units, and medical offices to accommodate increasing healthcare demands. The hospital became the primary medical center for Tallahassee and surrounding counties, evolving into a full-service regional hospital.

By the 1970s, significant changes in the healthcare industry led many local governments to reconsider their role in hospital management. The rise of private and nonprofit hospitals created competition for insured patients, while publicly owned hospitals remained responsible for providing indigent care and essential medical services. To address these challenges, the City transitioned TMH from a municipally operated hospital to being operated by an independent nonprofit system while retaining ownership of the land and facilities. In 1979, the City Commission selected Tallahassee Memorial Regional Medical Center, Inc., a Florida nonprofit corporation, to assume control of hospital operations. This transition allowed TMH to operate more efficiently, expand its services, and respond to industry changes while the City remained the owner of the hospital and its infrastructure.

Since that transition, TMH has expanded significantly, requiring new infrastructure and partnerships to support its growing patient base and specialized medical services. In the 1980s and 1990s, the City facilitated major expansions, including constructing new patient towers, expanded emergency services, and additional surgical units. In the 2000s and 2010s, TMH continued its growth with the addition of a cancer center, a heart and vascular institute, orthopedic services, and intensive care units. These expansions positioned TMH as a leading regional hospital, serving not just Tallahassee but the broader North Florida and South Georgia region.

More recently, TMH's evolution has included its partnership with Florida State University through FSU Health. This partnership represents a collaboration integrating academic medicine with TMH's healthcare operations. FSU Health is supported by a \$125 million appropriation from the Florida Legislature to advance medical education, research, and clinical care. A 130,000-square-foot academic health center is currently under development on TMH's main campus, scheduled to open in fall 2026. The facility will support FSU's medical training programs, research initiatives, and clinical services, creating a regional hub for academic medicine.

FSU's role at TMH extends beyond education, as it is now involved in developing new healthcare facilities alongside TMH through a Transformation Committee. The FSU Health-TMH Medical Campus is currently under construction in Panama City Beach in partnership with FSU and The St. Joe Company. This facility, located on an 87-acre site, will combine clinical care, research, and medical education to address the increasing demand for healthcare services in the Florida Panhandle. FSU Health-TMH Medical Campus in Panama City Beach has opened its first phase. The 80,000-square-foot medical office building began serving patients in July 2024. This facility offers primary care, urgent care, cardiology, and pulmonary services. The next phase includes plans for a 100-bed hospital with an emergency center, surgical suites, and imaging services, which are underway, with completion expected by 2027. This medical campus will also provide research opportunities for FSU faculty focused on aging, digital health, residency programs, and clinical rotations for FSU medical students.

TMH's expansion has not been limited to major cities; it has also invested in rural healthcare infrastructure, ensuring better access to medical services in underserved areas. TMH is supporting the construction of a 50,000-square-foot hospital in Calhoun County, including an emergency room, inpatient care, and rehabilitative services. On its main campus in Tallahassee, TMH is modernizing patient rooms originally built in 1948 with a floor-by-floor renovation project that includes new furniture and upgraded amenities, expected to continue into 2025. Additionally, TMH partnered with Big Bend Hospice to open a new eight-bed inpatient hospice unit on the hospital's third floor.

As TMH has expanded its operations and regional partnerships, its governance structure has evolved in ways that reduce the City's direct role in hospital oversight. These changes prompt the City to carefully consider its long-term role in supporting and guiding the continued growth of healthcare services in Tallahassee. While the City of Tallahassee continues to own the land and facilities, TMH collaborates with an extensive network of healthcare providers, including Florida State University College of Medicine, University of Florida Health, Capital Health Plan, Weems Memorial Hospital, Doctors' Memorial Hospital, Apalachee Center, Big Bend Hospice, Radiology Associates, and Calhoun Liberty Hospital. These partnerships have allowed TMH to enhance its specialized medical services, research capabilities, and clinical training programs.

With its continued expansion and increasing collaboration with FSU Health, TMH has evolved into a regional academic medical center, aligning itself with university-driven healthcare models. The City of Tallahassee remains the owner of TMH's land and facilities, ensuring that the hospital continues to serve as a community healthcare asset. TMH's growing integration with FSU Health, its presence in surrounding counties, and its expansion into Panama City Beach reflect a shift toward a regional and more academic-focused healthcare system. This trajectory has moved TMH beyond serving solely as Tallahassee's community hospital to serving as a leading healthcare provider and academic partner serving North Florida and beyond—prompting a reassessment of the City's role in supporting and overseeing this broader mission.

The Shift Toward Academic Medical Centers and FSU's Expanding Role in Healthcare

Tallahassee Memorial HealthCare (TMH) is classified as an urban, nonprofit, community-based hospital serving a metropolitan region that includes Tallahassee and surrounding North Florida and South Georgia counties. As the only Level II trauma center in the Big Bend area, TMH provides specialized care in cardiology, neurology, oncology, and orthopedics, along with general hospital services. It remains under the ownership of the City of Tallahassee, but its operational structure has evolved over time. TMH has increasingly collaborated with FSU Health, aligning itself with a broader trend of hospitals integrating with academic institutions to improve financial stability, expand research opportunities, and strengthen medical education programs.

Hospitals in the United States are categorized by ownership type, which influences their financial models and service delivery. According to the American Hospital Association (AHA) 2025 report, the U.S. has 6,093 hospitals, with community hospitals making up the majority. Most community hospitals, like TMH, operate as nonprofit entities, meaning they reinvest revenue into hospital services rather than distributing profits to stakeholders. However, from 2005 to today, the number of independent nonprofit hospitals has steadily declined as financial pressures have pushed many to merge with larger health systems, including university-affiliated hospitals, larger non-profit entities, and for-profit entities.

Nationally, 1,573 hospital mergers occurred from 1998 to 2017, followed by 428 more from 2018 to 2023, reflecting an acceleration in recent years. As a result, the share of community hospitals belonging to larger health systems rose from 53% in 2005 to 68% in 2022. Additionally, the proportion of state and local government hospitals has declined over the same period, while the prevalence of nonprofit and non-government hospital systems has grown, reflecting a broader trend of large health systems encompassing an increasing share of community hospitals.

United States Community Hospital Makeup

Hospital Ownership Type	Number of Facilities	Percentage of Community Hospitals
Nonprofit (Nongovernment)	2,978	58%
Investor-Owned (For-Profit)	1,214	24%
State & Local Government	920	18%

Hospitals are also classified by location, impacting their access to resources, patient volumes, and the complexity of their medical services. TMH, as an urban hospital, benefits from a larger patient base, more funding opportunities, and greater access to healthcare professionals and technology compared to rural hospitals that often struggle with financial viability due to lower patient volumes, workforce shortages, and limited service offerings.

United States Community Hospitals by Hospital Setting

Hospital Setting	Number of Facilities	Percentage of Community Hospitals
	3,316	65%

Urban Hospitals		
Rural Hospitals	1,796	35%

For-Profit Acquisition Trends

Across the country, private for-profit hospitals have increasingly transitioned ownership or entered affiliations with larger healthcare systems, often as a strategic response to shifting financial, operational, and regulatory pressures. Nationally, trends show consolidation of independent, investor-owned hospitals into larger networks—both for-profit and nonprofit—as a means to stabilize operations, increase efficiencies, and expand service offerings. This consolidation often allows hospitals to access capital investments, modernize facilities, and implement system-wide cost-saving strategies, all while enhancing patient care delivery.

For-profit healthcare corporations, such as HCA Healthcare and Tenet Healthcare, have significantly expanded their footprints by acquiring and integrating hospitals into their networks. These corporations leverage economies of scale, centralized administrative services, and advanced data systems to drive profitability while streamlining clinical services. At the same time, some private hospitals have opted to shift ownership to nonprofit systems or convert to nonprofit status to align more closely with community health missions and access favorable tax benefits.

Several notable transactions underscore this trend. HCA Healthcare has acquired numerous community hospitals, integrating them into its national network to standardize care protocols and improve financial sustainability. Similarly, Tenet Healthcare has pursued strategic acquisitions and divestitures to realign its portfolio and focus on high-performing markets. These transitions reflect broader market forces at play, including rising operational costs, shifting reimbursement models, and increasing demand for capital-intensive services such as outpatient care, surgical centers, and telehealth platforms.

Driving these trends are several key factors: the need for financial resilience amid evolving healthcare regulations, the growing emphasis on value-based care models, and heightened competition in both urban and rural healthcare markets. Larger corporate systems offer smaller, independent hospitals the resources to modernize infrastructure, invest in specialized services, and navigate complex compliance requirements. Additionally, system integration helps position hospitals to participate in regional health initiatives, data-sharing efforts, and emerging healthcare delivery models focused on patient outcomes and cost containment.

Non-Profit Nongovernmental Acquisition Trends

In recent years, nonprofit, nongovernmental hospital systems have increasingly pursued acquisitions and affiliations as part of broader strategies to strengthen financial stability, expand regional access to care, and enhance specialized service offerings. These systems, many of which are mission-driven and faith-based,

have steadily absorbed independent community hospitals, smaller systems, and outpatient facilities to create more integrated, efficient networks.

Advent Health is a prime example of this trend. As one of the country's largest nonprofit, faith-based healthcare systems, Advent Health has expanded its footprint through strategic acquisitions. Notable recent examples include its 2025 acquisition of ShorePoint Health Port Charlotte in Florida and its 2021 purchase of Redmond Regional Medical Center in Georgia. These acquisitions allow Advent Health to leverage economies of scale, standardize clinical operations, and invest in modern infrastructure while reinforcing its community-focused and faith-forward mission.

Similarly, other large nonprofit systems—such as Providence, Common Spirit Health, and Trinity Health—have engaged in acquisitions to broaden their regional presence and stabilize operations in a rapidly changing healthcare environment. These systems often target community hospitals that face financial pressures or need significant capital investment, providing them access to advanced technologies, specialty services, and streamlined administrative support.

Several key factors drive this consolidation trend. Standalone community hospitals increasingly face financial pressures, including rising operational costs and declining reimbursement rates, making it difficult to remain viable independently. Many require significant capital investment to modernize infrastructure, adopt new technologies, and expand outpatient services. Additionally, the healthcare industry's shift toward value-based care models emphasizes care coordination and improved patient outcomes—goals that are often more achievable within larger, integrated systems. Consolidation also enables health systems to achieve economies of scale, reducing costs and enhancing efficiency across multiple facilities. Through these acquisitions, nonprofit systems can reinvest surplus revenue into advancing patient care, expanding services, and supporting community health initiatives, all while maintaining their nonprofit governance and mission-focused approach.

The Role of Academic Medical Centers in Healthcare

As the number of independent, nonprofit community hospitals declines as a result of increasing financial pressures and desires to expand research capabilities, access to funding, and service offerings, an increasing number of community hospitals have merged with academic institutions to become Academic Medical Centers (AMCs)

AMCs are integrated healthcare institutions that combine patient care, medical education, and research within a university-affiliated hospital system. These institutions play a central role in advancing medical innovation, training future healthcare professionals, and providing specialized medical services that may not be available at community hospitals. Typically affiliated with medical schools, research universities, or teaching hospitals, AMCs serve as regional hubs for complex and specialized care.

AMCs operate through a combination of clinical care, education, and research. They provide a full spectrum of healthcare services, from primary care to highly specialized treatments such as oncology, neurology, and cardiovascular surgery. Many academic hospitals function as regional trauma centers and referral hospitals, treating high-acuity patients who require advanced care. Additionally, AMCs house residency and fellowship programs, offering hands-on training for medical students, residents, and fellows, strengthening the physician workforce pipeline. Their affiliation with universities allows them to conduct clinical trials, translational research, and medical advancements in areas such as genetics, biotechnology, and personalized medicine. Many leading breakthroughs in medical treatments and surgical techniques originate from these institutions.

The financial structure of academic medical centers differs from that of traditional hospitals. While many operate as nonprofit entities, they benefit from multiple revenue streams, including clinical revenue from patient care, government and private research funding, philanthropic donations, and medical education grants. AMCs contribute significantly to regional economies by generating high-wage healthcare jobs, attracting research funding, and fostering collaboration with biotechnology and pharmaceutical industries. Their presence often leads to the development of healthcare innovation districts, where research institutions, hospitals, and private industry work together to develop and commercialize new medical technologies.

The Shift Toward Academic Medical Centers

Hospitals across the country are increasingly affiliating with AMCs to enhance healthcare access, expand research capabilities, and support workforce development. These partnerships stabilize hospitals facing financial and operational challenges while facilitating investments in medical education, infrastructure, and specialized services. Academic health systems bring resources that modernize facilities, improve patient care, and integrate hospitals into broader research and clinical training networks.

Several hospital acquisitions illustrate this trend. The University of California Health System has expanded its hospital network, integrating community hospitals to enhance research and medical training. University of California San Francisco (UCSF) Health has also acquired hospitals to strengthen its role in medical education and clinical research, while Penn Medicine has incorporated additional hospitals into its graduate medical education programs, further integrating research and specialized care into its system. These transitions reflect a national shift in healthcare, as hospitals seek affiliation with academic institutions to expand capabilities and ensure long-term sustainability.

Multiple factors drive this transition. Independent nonprofit hospitals are adapting to changes in patient care models, including the shift toward outpatient services, telemedicine, and the increasing demand for specialized treatments. Universities are expanding their medical education and research programs, requiring clinical training sites for students and residents. Research institutions benefit from integrating hospitals into

their networks, advancing clinical trials and medical innovation while strengthening physician training programs. These partnerships also contribute to regional healthcare infrastructure, offering expanded services and creating professional opportunities for medical practitioners.

Recent Expansion and Services at UF Health Shands Hospital

Shands Teaching Hospital and Clinics, Inc., commonly known as UF Health Shands, operates as a separate nonprofit entity but functions under the common governance and control of the University of Florida. Since 1996, UF Health Shands has steadily expanded through strategic acquisitions and developments. Most recently, in 2023, UF Health Shands acquired Flagler Health+, integrating it into the system as UF Health St. Johns. Prior to that, in 2020, UF Health Shands expanded into Central Florida with the acquisition of two hospitals now known as UF Health Leesburg Hospital and UF Health The Villages Hospital.

UF Health Shands Hospital has undergone substantial expansion in recent years to enhance its capacity, broaden its range of specialized services, and accommodate growing patient demand. A major nine-story expansion project was completed, adding 216 inpatient beds, an outpatient clinic, 16 operating rooms—including five hybrid suites—and advanced imaging facilities. This expansion has increased the hospital's ability to provide specialized care in key areas such as cardiovascular treatment, neurology, oncology, orthopedics, and advanced surgical procedures. The investment in state-of-the-art operating rooms and imaging technology further strengthens Shands' role as a leading center for complex surgeries, trauma care, and minimally invasive procedures.

As an 875-bed teaching and research hospital, UF Health Shands offers a full spectrum of healthcare services, including comprehensive cancer treatment, transplant services, pediatric care, and specialized stroke and neurological disorders programs. The hospital serves as a Level I trauma center, providing the highest level of emergency care for critically injured patients across the region. It is also a designated center for organ transplants, performing kidney, liver, pancreas, heart, and lung transplants, contributing to life-saving treatment options for patients with end-stage organ failure. The recent expansions have also reinforced its ability to support medical education and research with advanced facilities that enable clinical trials and the development of innovative treatments.

Conclusion

The City of Tallahassee founded the hospital now known as TMH in 1949 to serve the community, and it has since grown into an urban, nonprofit, community-based hospital serving a 21-county region across North Florida and South Georgia. The City transitioned the hospital to a lease-based model in 1979, operated by a nonprofit-managed healthcare operator to provide Tallahassee with expert medical care. More recently, FSU has emerged as an important partner in medical research and healthcare delivery in Tallahassee and across the region with the advent of FSU Health and the expanding relationship with TMH.

TMH's expansion beyond Tallahassee and its request to reshape the hospital's governance structure may necessitate a change in the nature of the current lease agreement. Staff will evaluate the implications of TMH's request, including evaluating whether continued City ownership remains in the City's long-term interest. As part of this analysis, staff will also explore the feasibility and potential advantages of a possible sale of the hospital, considering all available options and approaches and bringing back options and recommendations.

Recommended Action

Information only

Attachments/References

Attachment 1 - TMH Letter

Attachment 2 - Draft Articles of Incorporation of TMH

Attachment 3 - Draft Bylaws TMH

Attachment 4 - 3.24.25 TMH Letter

Attachment 5 - 3.24.25 FSU Letter

Attachment 6 - 3.25.25 TMH Letter

[Attachment 1 - TMH Letter.pdf \(112 KB\)](#)

[Attachment 2 Draft Articles of Incorporation TMH.pdf \(105 KB\)](#)

[Attachment 3 - Draft Bylaws TMH.pdf \(232 KB\)](#)

[Attachment 4 - 3.24.25 TMH Letter.pdf \(916 KB\)](#)

[Attachment 5 - 3.24.25 FSU Letter.pdf \(1,128 KB\)](#)

[Attachment 6 - 3.25.25 TMH Letter.pdf \(2,190 KB\)](#)