

CATHOLIC HEALTH INITIATIVES AT 20

After the Leap of Faith

By MICHAEL ROMANO

In the spring of 1996, three Catholic health systems with facilities spread across 22 states took an unprecedented leap of faith, all but ignoring standard corporate practices around strict due diligence to create what was then the nation's largest nonprofit, faith-based health system.

The new organization — Catholic Health Initiatives, which added a fourth founding system a year after its birth — was formed as a direct result of two stark realities during the mid-1990s: A precipitous decline in the number of women religious who chose to or who were capable of leading hospitals and health systems; and the growing threat to tax-exempt, faith-based hospitals from giant for-profit systems seeking to expand their market share during a wave of consolidation.



On May 1, 2016, CHI celebrates its 20th anniversary, marking two decades as the first national health system designated by the Vatican as a public juridic person — an entirely new corporate-canonical structure that provided a pioneering partnership between lay and religious leaders in Catholic health care.

Over the past 20 years, 16 Catholic health systems have received the special designation of public juridic person from Rome. The most recent: Chicago-based Presence Health, the largest Catholic health system in Illinois. It received approval in mid-January to form a public juridic person under the banner of Presence Health Ministries.

“The designation as a public juridic person provided for the true involvement of the laity, which has really been instrumental to the health — and long-term success — of the entire Catholic health care ministry,” says Kevin E. Lofton, who

has served as CHI's CEO since August 2003. “It was absolutely vital in strengthening the structure of our ministry at a time when the large, for-profit systems were at their very peak in terms of acquiring nonprofit hospitals.”

“While CHI was the first national Catholic health care institution to become a PJP,” Lofton adds, “it's quite clear that many other systems recognized that this was a model that would sustain the ministry well into the future. And it has done just that.”

MISSION, MINISTRY AND THE MARKETPLACE

Sr. Peggy Martin, OP, JCL, a member of the steering council that formed CHI and the organization's senior vice president for sponsorship and governance since 2001, says, “The most important part of our work was to ensure that all of the entities involved in the early work to form CHI be able to maintain their Catholic identity far into the future.”

“At the time, we did not know if, as religious congregations, we were going to be able to do that,” says Sr. Martin, who is a canon lawyer. “The

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involvement of laity was probably more important than anything else. We all felt that our ministries would not survive into the future unless we involved laity.”

However, CHI’s mission, rooted firmly in the overarching goal of creating and sustaining healthier communities, has been reinforced and reaffirmed by the groundbreaking lay-religious partnership that forged the consolidation of those four predecessor systems.

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“I think the partnership with the laity and the religious at that time created a more intentional focus on ministry formation and leadership formation than in any other system,” says Tom Kopfensteiner, CHI’s executive vice president for mission. “Leadership was seen as the true custodian of mission — something of a sacred duty of the lay leaders to ensure that mission was always the top priority.”

Although the foundational elements of mission, vision and values have remained constant, just about everything else has changed for the second-largest faith-based health system in the nation, which now operates 103 hospitals and hundreds of other facilities in 19 states. CHI has transformed from a holding company composed of largely independent clusters of markets spread across the country to that of an operating model featuring streamlined national management and enterprisewide economies of scale in such areas as supply chain, information technology and human resources.

These days, the traditional hospitals have been supplemented by a diverse blend of business across the spectrum of care, nearly doubling CHI’s annual revenue since 2007 to more than \$15.2 billion in the most recent fiscal year.

“You have to be flexible in health care,” says Sr. Martin. “This is not just a ministry from the Gospels — it’s a highly complicated industry that involves the government, state and federal regula-

tions. It’s an environment that is constantly changing. It’s big business. The women religious didn’t necessarily need — or want — to be involved in big business. And we didn’t have the training and skills for it.”

“But the change that is happening in health care is good for the ministry, and it’s good for the people and communities we serve,” she says. “You don’t have to *like* change — but you have to embrace it.”

CHI is constantly adapting to the changing demographics and evolution of the health care marketplace. It formed its own national research institute, operates a venture-capital fund to support promising start-ups and oversees a wide array of partnerships, joint-operating agreements and collaborations with both tax-exempt and investor-owned entities.

“It’s my job to be sure that what we inherited from the sisters — in some cases, 150 years ago or more — will be there, in appropriate form, 100 years from now,” says Lofton. “Now it might not be in the present form of a brick-and-mortar hospital. What defines and describes ‘healthy communities’ at whatever point in the future will be the form it takes.

“But we will ensure that the core ministries in our communities will still be there. We’re trying to strike the right balance.”

THE LEAP OF FAITH

CHI was formed through the consolidation of three systems: Franciscan Health System, Aston, Pennsylvania; Sisters of Charity Health Care Systems, Cincinnati, Ohio; and Catholic Health Corp., Omaha, Nebraska. A year later, the three systems were joined by a fourth — the Sisters of Charity of Nazareth Health System, Nazareth, Kentucky. The four systems essentially ceded their assets into one big pool to create a strong, geographically diverse organization that stretched across four time zones.

Although due diligence was part of the consolidation process that created the complex new organization, leaders made it clear that the goal was to overcome typical obstacles and get the job done, recalls Mitch Melfi, associate general counsel in 1996 for the Sisters of Charity in Cincinnati, who served as an instrumental part of the lawyers’ task force that worked with a nine-member steer-

ing council to help guide the process to fruition.

“We did not ignore due diligence entirely,” Melfi, now CHI’s executive vice president for corporate affairs and chief legal officer, says with a smile.

Still, Melfi recalls that the steering committee wasted little time as it pulled together a complicated consolidation that at the time was considered to be one of health care’s first mega mergers.

“The prevailing thought,” Melfi says, “was that we were not going to drag this out.”

Although CHI was the first national health system to be formed as a pontifical public juridic person, that designation already had been bestowed upon one of the founding partners, Catholic Health Corp., which received approval as a public juridic person in June 1991 from the Vatican’s Congregation for Institutes of Consecrated Life and Societies of Apostolic Life.

Five years later, a restructured public juridic person, Catholic Health Care Federation, formed CHI on May 1, 1996. (The organization still celebrates this date as its “birthday,” even though the official formation ritual took place two months later, on July 1, with simultaneous prayers and a candle-lighting ceremony across the enterprise.)

John DiCola, CHI’s executive vice president for enterprise strategic development, and, along with Melfi, one of the organization’s first employees, said the foundresses had a vision that was crystal clear: “From the start,” he says, “the intent was to align all of these resources across the country to be a force for change. The idea was to create a new health system that was larger and more sustainable — a durable presence to serve its communities long into the future.”

“There was this exciting sense that we were creating something that was really new,” DiCola adds. “It really was an unprecedented collaboration.”

Indeed, the founding sisters and other leaders were almost prescient in framing CHI’s primary mission as one supportive in every way of creating healthier communities, an objective that went far outside the walls of traditional hospitals and other health care facilities. They seemingly were able to envision a present-day environment where the emphasis has shifted dramatically from sick care to well care, moving traditional health services outside of the hospitals to value-based

approaches and community health in its broadest sense. That approach anticipated the fundamental changes that are such an integral part of the Affordable Care Act, which was passed in 2010.

“When I look back at CHI after 20 years,” says Kopfensteiner, “what strikes me more than anything else is how prophetic the foundresses were in seeing where health care was going and in crafting a mission statement that really could not have been written better — or written more appropriately — today than when it was crafted so many years ago.”

“It doesn’t even mention hospitals,” Kopfensteiner adds. “Instead, it focuses on social justice, which is really the code for getting at the underlying causes of illness and promoting true health in the communities we serve.”

ADVOCACY

From the beginning, advocacy was identified as a key priority by all of the system’s principal leaders — including Patricia Cahill, a veteran hospital administrator who was named the first president and CEO of CHI, serving in that role until 2003, when Lofton succeeded her; Sr. Maryanna Coyle, SC, the fledgling organization’s first chairperson of the Board of Stewardship Trustees that was responsible for both governance and sponsorship; and Sr. Esther Anderson, OSF, PhD, a key member of the steering council and the second chairperson of the CHI board.

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Since then, CHI’s emphasis on advocacy has translated to expansive public policy initiatives and shareholder activism in support of the organization’s devotion to social justice and the creation and support of healthier communities.

“The foundresses saw this new organization as a growing entity that could leverage its influence to advocate for others,” says Colleen Scanlon, who joined the organization as its first advocacy leader about a year after its formation and now serves as CHI’s senior vice president and chief advocacy officer. “Our goal has always been to give voice in different domains — advocacy in all of our com-

munities, advocacy in the investor world, advocacy in public policy.”

For instance, CHI always has pursued a bold agenda in social justice through a number of initiatives, including its direct community investment program that provides zero- to low-interest loans to nonprofit organizations or projects focused on jobs, housing, education and health care.

It is also among the most active faith-based organizations in the country in its concentration on shareholder activism, collaborating effectively with many other ministries in filing shareholder resolutions in areas such as access to drugs and human trafficking.

While CHI’s advocacy program has grown and matured over the years, the underlying objective has always been inextricably tied to mission, says Scanlon.

“Advocacy was seen as being much more than public policy and government relations,” Scanlon says. “It wasn’t about politics. It was, ‘How do you know what the needs are of your communities, and how do you best respond to those needs?’”

MISSION AND MINISTRY FUND

CHI’s mission also was at the heart of another early effort mandated by the foundresses from Day One: the creation of the organization’s Mission and Ministry Fund, designed to provide financial support to CHI affiliates for “innovative, replicable and sustainable approaches to building healthier communities.”

Formed at the same time as CHI, the Mission and Ministry Fund is an internal foundation that was supported for the first 10 years through contributions from CHI organizations until it reached a self-sustaining level of \$100 million. The fund — designed as a concrete, meaningful mechanism to underscore CHI’s commitment to healthier communities — has provided in excess of \$63 million for more than 450 grants ranging from immunization programs and dental-health initiatives to disaster relief efforts and international grants for physician training in Hanoi, Vietnam.

In recent years, CHI has expanded the grant program to specifically cover a wide range of violence prevention programs across its system. Since this enterprisewide program was launched

in 2010, more than \$15 million has been provided to dozens of programs focusing on primary prevention — in other words, creating programs, policies and actions that address violence before it happens.

Says Lofton: “The initial purpose of the Mission and Ministry Fund was to focus on our

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healthy community initiatives within the system. That has grown. We’ve added violence prevention, and we’ve added international health care. So, something we started 20 years ago has grown and evolved — much like CHI itself — to reinforce what we are all about as a Catholic health care ministry.”

Amid all the change at CHI and the nation’s Byzantine health care system, the organization’s mission, vision and core values of reverence, integrity, compassion and excellence have stood the test of time. The original mission statement, essentially unchanged since it was crafted by the foundresses, now includes one phrase to highlight a new focus on education and research. That “minor tweak,” as Lofton describes it, was designed to address the contemporary emphasis on education, the evolution of the nation’s high-tech health care system and the addition of academic medical centers to CHI’s portfolio of facilities.

“In 20 years,” says Lofton, “our four core values have remained true and immutable. This is another testament to the foundresses of this organization — that we could go 20 years without feeling the need to revise our core values or significantly change our mission statement.”

RELIGIOUS-LAY PARTNERSHIP

All of CHI’s facilities are sponsored by Catholic Health Care Federation, the public juridic per-

son that evolved from Omaha, Nebraska-based Catholic Health Corp. The same leaders who sit on CHI's governing body — the Board of Stewardship Trustees — also constitute the Catholic Health Care Federation, responsible for both governance and sponsorship.

The religious-lay partnership so vital to CHI's success has, however, changed in one respect: Through much of its history, CHI's Board of Stewardship Trustees, which serves as the canonical sponsor of its facilities, was equally divided between religious and lay representatives. That balance generally holds true years after the requirement ended.

"What I have found," Lofton says, "is that when the board members of the PJP and the civil corporation are the same, you're able to make quicker decisions — and better decisions. When our board deliberates, they are de facto wearing both hats. If you have a board concerned only about the civil side, they might not take mission into account."

CHI has changed significantly in other ways — especially in recent years, with the national emphasis on a dramatic transition from volume to value in both the delivery and reimbursement of health care. The shift from the fee-for-service payment model, propelled in large part by the Affordable Care Act that reconfigured the health care landscape, has prompted health systems like CHI to focus on clinically integrated networks, population health and insurance and risk-based contracts, among other changes in the old-school business model.

Kopfensteiner suggests that CHI's creation of a religious-lay partnership was as prophetic as the words that describe the organization's mission.

"To me, this whole focus on lay leadership was a very curious idea at first," says Kopfensteiner, who has served as CHI's mission leader for almost 12 years. "It seemed like it would be the equivalent of turning over a parish to the laity. Of course, when we talk about the laity, we're not talking about just Catholic laity — we're talking about a grand partnership involving a great deal of diversity in every way. Again, this was so prophetic — it was bringing people from all different backgrounds and religions together 'for the good to be done,' in the words of Pope Francis."

"Mission has never been more important to CHI — or to other Catholic health ministries across the country," he adds.

'GROWTH WITH A PURPOSE'

Two decades after it was formed, CHI is as diverse on a corporate level as any large health system in the nation. While emphasizing population health and integrated systems of care, the organization has formed what essentially represents an in-house insurance firm, hiring experts from that industry to form a network of Medicare Advantage plans across the system and to operate a commercial health plan based in Little Rock, Arkansas.

In May 2014, CHI launched a systemwide re-branding effort as a way to more effectively integrate its disparate, diverse collection of facilities, adding the acronym of CHI to all of its affiliated hospitals across the country. For instance, Franciscan Health System in Tacoma, Washington, became CHI Franciscan Health, underscoring the close connection with the national system and providing opportunities for enterprisewide branding and marketing initiatives. The program also laid the foundation for a system-oriented approach to programs such as employee engagement, population health and other long-term strategies.

"Our re-branding has always been inextricably linked to all that we do to create a stronger, unified organization," said Joyce Ross, senior vice president for marketing and communications and a member of the CHI leadership team for about 19 years.

As part of this focus on integration across the enterprise, CHI also has created a nationwide physician network in conjunction with an outside firm and has collaborated with and invested in Conifer Health Solutions, a Dallas-based for-profit whose services include revenue-cycle solutions for health systems. CHI also has made a multimillion-dollar investment in a Seattle-based care-management company capable of delivering care around the clock via telephone, secure video or traditional house calls.

These relationships — especially those formed in the last two or three years — are intimately aligned with a strategic vision that calls for CHI to serve its communities across the entire spectrum of care and in every imaginable venue. CHI senior leaders call it "growth with a purpose" as they continue to examine ways to enhance the mission and improve and grow through strategic relationships of all kinds in a world of evolving business models and emerging markets.

“I distinctly remember our first board chair, Sr. Maryanna Coyle, giving me a very important bit of advice and guidance when I was first named CEO,” recalls Lofton. “She took me aside and told me, ‘If all CHI is is big, you are not doing your job.’ I definitely took that to heart as we moved forward and strengthened this system.”

“Our goal has been to leverage the organization from an economic standpoint — and, more importantly, to be able to expand the mission and improve our ministry.”

In just the last three years, more than two dozen hospitals have been added to the CHI portfolio, strengthening what is now a national network of clinically integrated health networks operating across seven regions — six of which boast annual revenues in excess of \$2 billion.

Much of that recent growth has involved adding new Catholic facilities that once were non-Catholic — including CHI St. Luke’s in Houston, a six-hospital Episcopal health system acquired by CHI in May 2013. Four-hospital Memorial Health System of East Texas, a secular institution, joined CHI a year later. In the last few years, CHI has added 26 hospitals as it continues to balance its portfolio and prepare for the next 20 years.

“Not only have we grown, but we’ve grown to expand Catholic health care,” Lofton says. “We have always been willing to make the kind of necessary investments that will position us to be successful and to continue to serve our communities.”

“We are currently in the middle of a process of revising our long-term strategic plan,” he adds. “We have never been satisfied with the status quo — and we will not be satisfied with the status quo in the future. We know we must grow and adapt to changing times — or we won’t be around to serve our communities for the next 20 years.”

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