

THE RECESSION'S IMPACT

ASCENSION HEALTH: RISING COST OF INDIGENT CARE

Sr. Kathleen Kelly, CSJ, chair of the Ascension Health board of trustees, said the recession has reduced revenue from operations and investments. Some health centers had to adjust staff-



Sr. Kelly

Sr. Kelly said. “We are here to carry out the healing mission of Jesus. I think it has strengthened us.”

Ascension Health, the largest Catholic health care system in the United States, has 76 hospitals in 19 states and more than 400 other facilities. The 15-member system board oversees system policy but leaves most decisions to the local health ministry boards and executives. Sr. Kelly has been on the board for eight years and has been its chair for two.

Sr. Kelly said Ascension Health hospitals have dealt with an increasing number of patients who cannot pay their bills and who have put off treatments and arrive with more serious medical complications. And the loss of investment income has diminished the hospitals’ ability to invest in new programs and to cover those rising costs of indigent care.

The loss of jobs is always the hardest response, but she said the number systemwide has been relatively low. Sr. Kelly said many

“We have put emphasis upon quality and efficiency and concentrated upon our stewardship.”

SR. KATHLEEN KELLY, CSJ

ing levels accordingly, and many had to delay or stop capital projects.

The good news, she said, has been the system’s response.

“We have put emphasis upon quality and efficiency and concentrated upon our stewardship,”

health centers had to stop or pare down capital improvements. In Milwaukee, for example, Columbia St. Mary’s Hospital had to postpone the opening of a new Columbia St. Mary’s. “It’s a project dear to the hearts of everyone,” she said.

Ascension Health’s board of trustees has a process of discernment to analyze issues, she said. And they pray.

“We look at all of our decisions through Catholic social teaching. What is God asking of us at Ascension Health?” Sr. Kelly said. “How to attend to the needs of the poor and vulnerable is the screen through which we view all of our decisions.”

The recession has forced Ascension Health to be more efficient, she said, but because it has worked to stay true to its mission, the system can better continue serving the poor and vulnerable in the future.

“As we focus upon excellence, quality and efficiency, we know that we are stewards of a ministry that is more than 400 years old,” Sr. Kelly said. “It has withstood all kinds of challenges, and the mission has remained the same. Our challenge is to pass that along to our successors.”

BON SECOURS BALTIMORE: USED TO THESE PROBLEMS

Bon Secours Baltimore Health System’s hospital in West Baltimore has been wrestling with financial concerns for a number of years, said board chair **Glendora Hughes**. The recession has brought even more reasons for concern.

“The reality is that this neighborhood has always been in recession,” said Hughes. “A large percentage of our people already were coming in without health insurance or primary care doctors. Now we have people who were laid off who lost their insurance. So we have more non-paying customers.”

Though the staff at Bon Secours has experience in dealing with those troubles, it is small comfort when revenue goes down. Hughes said the hospital staff, with advice from the board, responded to the recession by working harder to obtain income, combining administrative du-

ties, reducing the use of contract nurses and laying off some employees. The hospital has not eliminated any major medical services, she said.



Hughes

Hughes, on the board for four years, is now serving as chair. The board meets quarterly, but it has gathered for monthly meetings this year to deal with the recession. She said the board relies upon Samuel L. Ross, MD, the hospital's chief executive officer,

to keep it informed of his decisions. "We share our opinions and advice. We let him run the hospital," she said.

The most difficult decision was endorsing layoffs, both because employees lost their jobs and because those who remained worried about losing theirs. "We are a small hospital. When there are layoffs, others think, 'Oh, we might close.' No, we're not closing," Hughes said. "We have to assure people and try to keep the focus on care for our patients. Dr. Ross had town hall meetings with the employees and out in the community to assure people of our commitments."

"The issue isn't whether we only made a million dollars on something, but whether we provided services."

GLENDORA HUGHES

The Sisters of Bon Secours established the 125-bed hospital in Baltimore in 1919. Its mission long has been to provide care to the poor and critically ill in the low-income neighborhood it serves. It is part of the Bon Secours Health System, which operates hospitals and other facilities in eight states.

Hughes, whose full-time job is general counsel of the Maryland Commission on Human Relations, said Bon Secours Hospital has remained true to its mission. The best way to do that, in good or bad times, is to carefully hire staff who believe in the mission, she said.

"If you select the right people, then you can remain consistent through these times," Hughes said. "The issue isn't whether we only made a million dollars on something, but whether we provided services."

Hughes said her board has worked closely with the national Bon Secours system board on these issues, and it has several members who serve on both the national and Baltimore boards.

**CATHOLIC HEALTH INITIATIVES:
DOUBLED COST OF CHARITY CARE**

The recession doubled the system's cost of charity care, said Mary Jo Potter, a member of the Catholic Health Initiatives (CHI) Board of Stewardship Trustees. "If that were to keep up for a few years, we'd all be in a very difficult place," she said.

CHI, based in Denver, operates 75 hospitals and other facilities in 19 states. It is the nation's second-largest Catholic health care system, and many of its hospitals serve lower-income areas.



Potter

Potter, a management consultant by profession, has served on the CHI board for five years and chairs its strategic planning committee. Previously, she served on the boards of Catholic Health-

care West and CHRISTUS Health.

Potter said all CHI health systems had to reduce capital expenses, and some had to lay off employees.

The national office and local operations consolidated jobs and functions to preserve the health care mission.

"We had to really look at our operation and streamline so we could maintain the quality of services we wanted with our limited resources," Potter said. "The most difficult for us was to rethink our allocations. No matter how you defer something, someone is affected. You're affecting people's lives. Not everyone can simply relocate or get new duties."

CHI trustees meet four times annually and conduct a strategic planning retreat. Potter estimated that the 13-member board has spent 20 percent more time working on issues with system leadership than it did prior to the economic meltdown. Through it all, she said CHI has made its Catholic mission a central part of its thinking and actions.

"We go through our deliberations to make sure we are consistent with all of our values and ethics, and [do] not stray into short-term solutions that might have bad long-term effects," Potter said. "You only know how people are loyal to a mission in hard times. It's easy to have a mission when things are fine. If anything, we all have needed our mission more dur-

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MARY JO POTTER

ing the past year than we did in the past. People are under stress and are more vulnerable, and they increasingly are seeking faith-based environments for care that for-profits may not accommodate.”

Potter said she believed the recession has shown that Catholic health systems need to work together to seek changes in social and government policy dealing with care for the indigent. The Catholic systems believe that is their duty, she said, but they have to be able to remain financially viable to do their work.

“We constantly have to be working at a higher level to do our work well, but we also have to educate and collaborate to work on the big systemic issues in this country,” she said. “If we don’t make improvements, we could face not being able to carry the load. Our challenge always is to be able to bring the healing ministry of Jesus to the people and communities we serve.”

**CATHOLIC HEALTHCARE WEST:
CONSTRUCTION ON HOLD**

Sr. Judy Rimbey, OP, board member of Catholic Healthcare West (CHW), said the health care system was involved in several building projects and upgrades when the recession struck, forcing the system to “turn off the spigot on capital projects.”

“That is a huge deal for hospital folks,” said Sr. Rimbey, a member of the Adrian Dominican Sisters and an accountant. “With the exception of the projects that would be more costly if stopped, capital expenditures were pretty much put on hold. The drop in the market certainly impacted hospital balance sheets, as it did any organization with investments and debt financing.”

Sr. Rimbey’s religious order sponsors four of the hospitals that merged into Catholic Healthcare West in 1986. The system now has 41 medical centers in Arizona, California and Nevada, and it is the largest hospital system in California. Sr. Rimbey lives in Adrian, Mich., and is administrator/councilor for her order, which she has represented on the CHW board since 2004. The 19-member board meets every other month. She also is on several board committees.

Sr. Rimbey said the system avoided having to make any substantial layoffs, turning instead to sharply reducing capital investment and operating costs. She praised the administration of Lloyd H. Dean, president and chief executive, for “doing everything possible to reduce expenses without any mass layoffs.”

Having a large, financially strong system helps CHW assist hospitals in low-income ar-

reas as well as those hardest hit by unemployment in the recent economic downturn, she said.



Sr. Rimbey

medical records systems. She said CHW has worked hard to overcome its well-publicized financial straits of a decade ago. “Though necessary, freezing capital was difficult,” Sr. Rimbey said. “Back in 2000, we had to freeze capital when our system was almost dead on arrival. Our current management team turned that around and we have been able to satisfy somewhat hospitals’ pent up demand for capital needs. Freezing that process again was very hard.”

“We need to learn how to do our best work with the resources we have. Frugality and resourcefulness, rather than money, can take you a long way.”

SR. JUDY RIMBEY, OP

“Lloyd Dean has been such a calming influence during these times,” she said. “He has managed to maintain CHW’s focus on our mission of bringing the healing ministry of Jesus to the people who come to us. I’m not saying there was no discussion of the bottom line. There has to be. But through it all there never has been any letup in an insistence upon quality and a focus on mission. For that, I think having the right leadership makes all the difference.”

Owing to the recovery in market conditions Sr. Rimbey said she believed CHW was experiencing some financial stability by June 30, the end of its previous fiscal year. The big lesson from the recession “is that circumstances can change on a dime. We need to learn how to do our best work with the resources we have. Frugality and resourcefulness, rather than money, can take you a long way, an important lesson to remember from the stories of our beginnings.”

CHRISTUS HEALTH: METHODICAL, DATA-DRIVEN AND FOCUSED ON MISSION

Catherine Dulle, chair of the CHRISTUS Health Board of Directors, said many of the system’s hospitals along the Gulf Coast were still recovering from a series of hurricanes when the recession struck.

“Many of the areas we serve have high poverty rates,” Dulle said. “On a good day, we have economic challenges and with the hurricanes and now the recession, assuring that mission remains central requires even greater effort. During this past year, our charity care jumped from 9.2 percent to 12.2 percent of expenses. In order to maintain our commitment to mission and respond to these challenges, we had to tighten our belts, improve efficiencies and more actively monitor our cash and investments.”

CHRISTUS Health, created in 1999 in a merger of the Sisters of Charity and the Incarnate Word health systems, has more than 50 hospitals and long-term care centers in eight states and Mexico. Its U.S. facilities are located in South Texas, Louisiana and Arkansas. Dulle, owner of a whole-person health and wellness company based in St. Louis, has been on the board since 2003. She said CHRISTUS management responded to the recession by developing financial monitoring systems that provided “surgical precision” in examining local and system costs and trends, as well as strategi-

cally positioning investments. She praised Tom Royer, MD, chief executive of CHRISTUS, and his team for “meeting the challenge quickly and decisively during the early stage of the economic collapse.”



Dulle

and data-driven response. We wanted to optimize our operational performance through focus, discipline and process improvement in a manner that aligned with our future directions, but without compromising our values and mission.”

Dulle said some hospitals and facilities had to lay off employees while others had to reduce capital projects. “When we had to make staff reductions, we made sure that our associates were well taken care of. We strategically added revenues and margin by buying a hospital in New Mexico and building one in Texas during the recession,” she said.

Dulle said the hardest challenge for the board

“We wanted to become as efficient as we could be without compromising our values.”

CATHERINE DULLE

and management “was keeping the level of discipline that we felt we needed. When you face a crisis, you can’t lose your head. You can’t compromise your future or your mission by being reactionary to a current set of circumstances.”

The CHRISTUS board meets quarterly and was actively engaged with management in responding to the crisis. Dulle said the board recommended such things as an analysis of the entire portfolio and a review of investment strategies. She said the management team developed “best of class” monitoring systems and kept board members fully informed of performance trends.

Dulle said the crisis has strengthened

CHRISTUS' commitment in its mission. "Our mission, values and heritage are always the final yardstick we use to measure how we treat our patients, our employees and our communities," she said. "That has never been truer than during this current economic crisis. We don't run CHRISTUS Health as just a business, but rather as a system of care which serves individuals who have names and faces and a dignity that makes each person special and unique. That commitment is the reason that our charity care went up so significantly, but it was the commitment of our management and our associates that allowed our margins to actually improve as well."

The recession has been a proving time for Catholic health care and offers inspiration for its continued service, Dulle said. "This has been a litmus test for all of us. Some people think we are a business that gets tax breaks. I think that this crisis has given Catholic health care a chance to make a genuine statement about who we are. We have chosen to make additional sacrifices and help the vulnerable. We have stayed true to the healing ministry of Jesus and been his presence in a time of adversity. That is a worthy response to a calling that I hope is never lost."

**RESURRECTION HEALTH CARE:
A MORE INTEGRATED SYSTEM**

Sr. Patricia Ann Koschalke, CSFN, a board member for the Chicago area's Resurrection Health System, said the recession has shown its impact on the organization through a great-



Sr. Koschalke

er number of uninsured and poor seeking routine medical care in emergency departments, increased cost of supplies and a loss of assets because the system's investment portfolio has taken a hit. Resurrection Health Care was formed by the 2001 co-sponsorship of the Sisters of the Holy Family of Nazareth and the Sisters of the Resurrection, two Chicago-based orders. Sr. Koschalke serves on the system board and is chair of the sponsorship board, which is composed of two sisters from each order. The system operates eight hospitals, nine nursing homes, four retirement homes and several clinics.

Sr. Koschalke said Resurrection responded to the struggling economic climate by launching systemwide initiatives to achieve greater cost efficiencies, enhanced physician alignment and ultimately, the development of a more integrated health care system.

“Throughout all of the changes, our patients continue to be our first priority with the mission and values always leading our decisions. That will never change.”

SR. PATRICIA ANN KOSCHALKE, CSFN

“Our employees and physicians have been collaborating in new and different ways that are making a difference in improving quality care and cost efficiencies,” Koschalke said. “For example, we are evaluating clinical best practices, piloting the ones that make sense and then implementing those successful practices across our system. Throughout all of the changes, our patients continue to be our first priority with the mission and values always leading our decisions. That will never change.”

As advisers to the management team, the sponsorship board and system board have been pleased with the work of chief executive Sandra Bruce and her administration in working through the recession, Sr. Koschalke said. Resurrection hired its first chief medical officer, David DiLoreto, MD, because, in part, “our physicians have been hit the same way as we have, and we have to build collaboration,” she said.

“The management team keeps us very well informed. Sandra has maintained a very transparent organization and has made communications a high priority throughout the organization so that staff and physicians are engaged and informed about where we are now and our vision for the future.”

The sponsorship board has approved nine “expectations” that serve to guide the system in its Catholic mission to serve with compassion

and “be a moral force in society,” Sr. Koschalke said.

“The mission is always the foremost factor,” she said. “What these times remind us is the need to be very careful with our dollars and focus on accountability and collaboration. Catholic institutions are going to have to collaborate and work with each other.”

ST. JOSEPH MERCY OAKLAND: IMPACT “DRAMATIC”

Paul Robertson Jr., board member at St. Joseph Mercy Oakland in Pontiac, Mich., has



Robertson

been a strong believer in the hospital’s care since he underwent heart surgery there 15 years ago. He has been on the board for eight years, is immediate past board chairman and serves on the finance committee.

A homebuilder, Robertson said the recession’s impact has been “dramatic.” Pontiac, Mich., namesake of a General Motors Corp. line of cars that is being phased out, already was stressed before the latest waves of auto industry layoffs. A significant number of the area’s residents are low income. Many of those who had health insurance have lost coverage. Robertson said the hospital’s write-offs for unpaid debt rose from \$19 million three years ago to \$30 million this year.

“When you take 6 percent off your bottom line, that’s huge,” Robertson said. “The very first thing we did was go back to our mission, which is to live the spirit of the Gospel in health, mind, body and spirit. We expanded our clinics and hours to make them more accessible. We spent more money in emergency room coverage. We persuaded more doctors to take Medicaid. The toughest part was making layoffs.”

Robertson said the hospital laid off about 2 percent of its workforce of more than 3,000. He said most of them were from administrative or support positions.

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PAUL ROBERTSON, JR.

“With each layoff, we looked at how that would affect our mission,” he said. “Does that mean that it might take five more minutes for meals to get distributed? Will there be one or two fewer administrators on a floor? The last thing we would want to touch is quality of care.”

The Sisters of Mercy established the hospital in Pontiac in 1927. It now is one of seven St. Joseph Mercy hospitals in southeastern Michigan that are part of Trinity Health. Robertson is CEO of Robertson Brothers Co., a second-generation homebuilding firm with headquarters in Bloomfield Hills, Mich.

Robertson said the St. Joseph Mercy Oakland board meets every other month, but relies heavily upon committees that usually meet monthly and “do the heavy lifting.”

“On the finance committee, we ask questions of the administration and get input on cost breakdowns,” he said. “In this downturn, the emphasis has been less about plant and more about people. We have limited capital for doing anything about buildings. We focus what we have on serving people.”

Far from eroding the historic mission of Catholic health care, the recession has forced St. Joseph Mercy Oakland to focus upon it more intensely, Robertson said.

“I believe it has heightened our awareness of what we need to be,” he said. “Everyone wants to pull together and take care of the underserved. It shows that, even in these tight times, we can improve quality, reduce costs and improve access to health care.”

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