

Clinics Add to Wisconsin Network's Continuum of Care



**INTEGRATED
DELIVERY
NETWORKS**

About midway between Chicago and Milwaukee, along Lake Michigan's shore, Racine, WI, is experiencing healthcare reform firsthand through All Saints Healthcare System, Inc. The system's goals are to increase Racine residents' access to physician care, improve the city's continuum of care, and reduce the

area's healthcare costs by eliminating the duplication of services and equipment.

Saint Mary's Medical Center and St. Luke's Hospital (both affiliates of Wheaton Franciscan Services, Wheaton, IL) are meeting the goals of All Saints Healthcare System by sharing technology, consolidating operations, and undertaking other ventures. In January two physician-owned clinics—Kurten Medical Group and Racine Medical Clinic—became part of the system.

After assessing each hospital's physical plant, planners determined that Saint Mary's should provide pediatrics, cardiac surgery and catheterization, and orthopedics. Obstetrics, gynecology, radiation therapy, and neonatal intensive care are offered at St. Luke's. One board of trustees governs All Saints Healthcare System. Each hospital still has its own president. Physicians from the two medical clinics are now hospital employees.

The two hospitals consolidated several operating departments: nursing services, pharmacy, patient services, finance, purchasing, and marketing and community relations. This led to the elimination of six vice president positions and 38 additional positions (most of which occurred through attrition).

The consolidation resulted in more cost-effective, high-quality patient care and significant savings for the hospitals. In a May 1993 television broadcast (see **Box**), Saint Mary's President



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DeMeulenaere said.

Edward P. DeMeulenaere and St. Luke's President Raymond Di Iulio explained why the integration was necessary and described the cost savings to Racine's citizens and the hospitals. For example, eliminating six vice president positions has saved the hospitals \$600,000 a year. By consolidating purchasing services and reducing duplicate inventories, the hospitals have reduced costs by \$350,000 a year. The hospitals are spending \$300,000 less a year by operating one finance department. These savings to the hospitals translated into a rate increase of 4.9 percent for 1993, while most other southeastern Wisconsin hospitals' rates went up by double digits.

AN AMIABLE RELATIONSHIP

Catholic-sponsored Saint Mary's and Episcopalian-sponsored St. Luke's had informal cooperative agreements for several years before their March 1991 formal affiliation, noted DeMeulenaere. In 1977 Saint Mary's received certificate-of-need approval to build a new obstetric and pediatric hospital. The state of Wisconsin advised Saint Mary's to hire a consultant to determine how obstetrics and pediatrics could best be delivered to the community. The consultant recommended that it would be more cost-effective for St. Luke's to provide gynecologic and obstetric services and for Saint Mary's to provide pediatric services. This marked the beginning of an informal agreement between DeMeulenaere and Di Iulio to strive to minimize the duplication of healthcare services in Racine.

"I believe that for a hospital affiliation to be successful, the facilities' chief executive officers must agree on mission and vision," stated DeMeulenaere. He explained that, when they were executive vice presidents at Saint Mary's and St. Luke's, he and Di Iulio had watched their predecessors duplicate services, which drove up the cost of medical care in the two-hospital community. As the hospitals' current presidents, the two men agreed to build a relationship on respect, understanding, and trust—characteristics that are

key to making the affiliation work. "Without these, not much can be achieved in trying to maximize cooperation and coordination between the two hospitals," DeMeulenaere noted.

Another key to making the collaborative arrangement work, explained DeMeulenaere, is the support of the area's major employers. Executives from both hospitals met with key business executives to outline the benefits of the affiliation. As a result, area business leaders recognized that continued competition between the two hospitals would only increase the community's healthcare costs.

HOSPITAL INTEGRATION

Even though the hospitals' presidents shared respect, understanding, and trust and had the support of major employers in the area, the integration was "a painful process," said DeMeulenaere.

The first step in formalizing Racine's integrated delivery network was to create shared vision

Another key to success is the support of the area's major employers.

and mission statements. This was accomplished at a strategic planning retreat for the new board of trustees and department managers. The new board had no problem working together on the statements.

But department managers and administrative personnel from the two hospitals (who had competed in the past for selected services) did have difficulties collaborating to write the mission and vision statements their facilities would share. DeMeulenaere pointed out that, although the goal of the affiliation was to provide Racine with the highest quality healthcare at the lowest cost, some managers found it difficult to focus on this concept because they knew some job positions would have to be eliminated with the consolidation.

The mission, "rooted in the Christian tradition" of the founding institutions, focuses on:

- Respecting life
- Meeting the community's and employees' needs

COMMUNICATING WITH THE COMMUNITY

When a town's only two hospitals affiliate, its citizens worry that their healthcare choices will become limited and that healthcare rates will skyrocket. Although just the opposite happens, the healthcare organizations involved must quell citizens' fears by providing them with information.

Presenting the public with the facts about integrated delivery "is an ongoing process of communication with key community leaders" and citizens, said Saint Mary's Medical Center President Edward P. DeMeulenaere. Saint Mary's and St. Luke's Hospital affiliated in March 1991, launching All Saints Healthcare System, Inc., Racine, WI.

In addition to talking to civic groups about the benefits of integrated delivery, All Saints Healthcare System responded to citizens' concerns during a television broadcast on Racine's local

cable station in May 1993. During the program, DeMeulenaere and Raymond Di Iulio, St. Luke's president, fielded questions from panelists who represented the Racine business community, the elderly, and average citizens. In addition, Racine's mayor, the public service director of a local radio station, and the pastor of a local Baptist church were on the panel.

During the program panelists voiced the concerns of Racine's citizens about the affiliation of the two hospitals and the consolidation of services. DeMeulenaere and Di Iulio outlined the rationale for consolidation of services and plans for the next several years.

A major concern was whether St. Luke's emergency department would continue to operate. DeMeulenaere and Di Iulio could not say whether a 24-hour-a-day emergency department

(which lost \$2 million in 1992) would remain open at St. Luke's but assured viewers some sort of urgent care center would be provided by the hospital.

DeMeulenaere said that the television program alleviated some but not all concerns. "Some segments of our community still misunderstand the primary reason for consolidation. Some people still view it as a monopoly rather than seeing what benefits could be achieved." He added that new concerns have cropped up as a result of the system's acquisition of two physician-owned clinics. He noted that representatives of All Saints Healthcare System believe it is essential to continue to provide presentations about the goals and benefits of integrated delivery to civic groups and maintain open lines of communication with area business leaders and major employers.



- Providing opportunities for employees' personal and professional development
- Meeting the needs of the poor, oppressed, and elderly

Once the common vision and mission statements were completed, the next step was to secure employee buy-in of the affiliation between the two hospitals. This was accomplished through a week-long series of meetings between each hospital's president and its employees. DeMeulenaere and Di Iulio outlined the new vision and mission statements and explained that the integration was in the community's and employees' best interests. They stated that, although the changes were painful, sticking with the status quo would be more so and could result in the elimination of many more jobs.

Crafting vision and mission statements together led the two hospitals to see that they shared many values. This enabled a smooth affiliation between Saint Mary's and St. Luke's. St. Luke's corporate bylaws state that it will retain its relationship with the Episcopal Church and that the hospital will strive to follow the *Ethical and Religious Directives for Catholic Health Facilities*, with one exception: St. Luke's will continue to provide sterilization services. Because of this agreement, the hospitals' bishops agreed that the best decision was for the two facilities to affiliate but not merge.

In addition, although St. Luke's had provided charity care in the past, it did not have a formal charity care policy like that at Saint Mary's. Under the affiliation agreement, St. Luke's has adopted Saint Mary's charity care guidelines.

HOSPITAL-CLINIC INTEGRATION

In the spring of 1993 Kurten Medical Group and Racine Medical Clinic began discussing integration as they looked at the future direction of healthcare reform. This could not have occurred at a better time because the hospitals had been exploring the formation of a physician-hospital organization. "Part of our mission and vision was to create a strategic partnership between medical staff, physicians, and the hospitals," noted DeMeulenaere. He credited out-of-town healthcare organizations that had approached the clinics with partnership proposals with laying the groundwork for integration by showing physi-

Physicians rejected offers from out-of-town healthcare organizations because they did not believe the offers were in the best interest of the community.

cians that integrated delivery networks would be the best future model.

Physicians rejected the out-of-town offers because they did not believe the offers were in the best interest of the community. The physicians did not want to "have the hospitals and physicians at opposite ends of the spectrum as far as trying to create a community-based, coordinated care system," DeMeulenaere said. "They strongly believed that reduced healthcare costs and high-quality outcomes could only be achieved if the hospitals and physicians collaborated."

On January 1, 1994, the two clinics became part of All Saints Healthcare System. Because the relationship is so new, employees need reassurance that integrated delivery is a positive change. "We're still working through why an integrated delivery network is the best approach to meeting the needs of our community. For employees, integration is the best mechanism for job security," explained DeMeulenaere. The physicians, now hospital employees, see the integrated delivery network as the best way to focus on high-quality outcomes. Before the acquisitions, the physicians had to spend energy competing for managed care contracts.

The community will benefit from these additions to All Saints Healthcare System by being able to access high-quality, cost-effective healthcare, noted DeMeulenaere. He explained that acute, episodic care is being replaced with a focus on education, prevention, health promotion, and management of the chronic disease process. As a result of the acquisitions, patients have a larger pool of physicians to choose from because now they can see physicians from both clinics. The hospitals renegotiated the managed care contracts to reflect this.

COMPLETING THE CONTINUUM OF CARE

To complete the continuum of services, All Saints Healthcare System is venturing into long-term care. St. Luke's Hospital is awaiting approval from Wisconsin to acquire the assets of St. Catherine's Infirmary from the Dominican Sisters of Racine, which provides skilled nursing services for the aged. All Saints Healthcare System intends to use the infirmary as a long-term care skilled nursing facility and as a transitional care unit for subacute services. —Michelle Hey

RECENT INTEGRATED DELIVERY ACTIVITIES

This listing represents a portion of the integrated delivery activities involving Catholic hospitals that have come to our attention recently. Similar listings have appeared in previous issues.

Please keep us informed as you move toward integration with other providers. Call or send your press releases and notices to *Health Progress*, 4455 Woodson Road, St. Louis, MO 63134-3797. We will publish additional listings of integrated delivery activities in upcoming issues.

WEST**Everett, WA****Providence General Medical Center**

Providence Hospital and General Hospital Medical Center

Hospitals completed merger on February 28, 1994, becoming Providence General Medical Center.

Sacramento, CA**Regional Alliance**

Mercy Healthcare Sacramento, Sierra Nevada Integrated Healthcare Organization, Woodland Healthcare, NorthBay Healthcare System, University of California at Davis Medical Center

In October 1993 Mercy, Woodland, and NorthBay agreed to explore a regional healthcare delivery network to contract with health insurers for capitated payments. In December the University of California at Davis Medical Center announced it was in talks to affiliate with the group. Also, in late 1993, Mercy Healthcare formed an alliance with the physician group, Sierra Nevada Integrated Healthcare Organization.

West Covina, CA**Pending Hospital Merger**

Queen of the Valley Hospital and Inter-Community Medical Center

Hospitals signed a memorandum of understanding in January 1994, paving the way for a merger.

SOUTHWEST**Dallas****Heart Network of Texas**

Mother Frances Hospital Regional Health Care Center, Tyler, TX; Baylor University Medical Center, Dallas; Harris Methodist, Fort Worth; Texoma Medical Center, Denison, TX; Wadley Regional Medical Center, Texarkana, TX; Hillcrest Baptist Medical Center, Waco, TX; Hendrick Medical Center, Abilene, TX

Network hospitals plan to pool resources, combine group purchasing contracts, and share information on treatment and medication in cardiac care services.

Denver**Proposed Integrated Delivery Network**

Saint Joseph Hospital, Lutheran Medical Center, and Rose Health Care System

In March the organizations signed a memorandum of understanding to form an integrated delivery network.

Fort Smith, AR**Fort Smith Health Alliance**

Sparks Regional Medical Center, St. Edward Mercy Medical Center, Cooper Clinic, Holt Krock Clinic

Proposed alliance would provide an area-wide healthcare plan for western Arkansas and eastern Oklahoma counties.

Oklahoma City**Oklahoma Community Healthcare Alliance**

St. Anthony Hospital, Oklahoma City, and 24 hospitals and home health agencies in northeastern and south central Oklahoma

In November 1993 St. Anthony became the second urban hospital to join the alliance of rural private hospitals and home health agencies. St. Anthony will provide services other members cannot offer locally.

Springfield, MO**St. John's Health System**

St. John's Regional Health Center and Smith-Glynn-Callaway Clinic

In December 1993 the institutions, along with 100 physicians, announced plans to form an integrated delivery network.

MIDWEST**Appleton, WI****Network Health System**

Mercy Medical Center, Oshkosh, WI; St. Elizabeth Hospital, Appleton, WI; La Salle Clinic, Appleton

Mercy Medical Center and St. Elizabeth Hospital announced merger plans in late 1993. In December 1993 St. Elizabeth bought 50 percent of La Salle clinic from the physicians who owned it, and the group launched Network Health System. St. Elizabeth is offering half ownership of the clinic to Mercy Medical Center.

Chicago**Columbus-Cabrini Medical Center System**

St. Cabrini Hospital, Columbus Hospital, St. Anthony Hospital



Franciscan Sisters Health Care Corporation transferred sponsorship of St. Anthony to the Missionary Sisters of the Sacred Heart of Jesus on October 1, 1993, to enable St. Anthony Hospital to become part of the Columbus Cabrini System on Chicago's near West Side.

Fond du Lac, WI

Integrated Delivery Network

St. Agnes Hospital and Regional Clinic

Institutions share decision making about major contracts, technology, and physician recruitment. The network became operational January 1, 1994.

Indianapolis

Collaborative Network

St. Vincent Hospital and Community Hospital

Hospitals chose to form a collaborative network, rather than to merge, because it was quicker and cheaper while providing most of the benefits of a merger.

Kenosha, WI

Integrated Delivery Network

Kenosha Hospital and All Saints Healthcare System (which includes St. Mary's and St. Luke's Hospitals, Racine, WI)

Partners will offer a managed care plan, which will be operated by JSA Healthcare Corporation, Columbia, MD.

Lafayette, IN

Proposed Hospital Merger

St. Elizabeth Hospital Medical Center and Lafayette Home Hospital

Hospitals propose to merge operations under a single board of directors.

Port Huron, MI

Hospital Merger

Mercy Hospital of Port Huron and Port Huron Hospital

On January 29, 1994, the hospitals signed a letter of intent to merge.

Racine, WI

All Saints Healthcare System

Saint Mary's Medical Center, St. Luke's Hospital, Kurten Medical Group, and Racine Medical Clinic

The two hospitals consolidated a number of services during 1993. The two clinics became part of the system in January 1994.

SOUTHEAST

Charlotte Harbor, FL

Health Source Alliance

St. Joseph Hospital, Port Charlotte, FL; Cape Coral Hospital, Lee Memorial Hospital, and East Pointe Hospital, Lee County, FL; Naples Community Hospital, Collier County, FL; DeSoto Memorial Hospital, DeSoto County, FL; Venice Hospital, Sarasota County, FL

Alliance members will create a preferred provider organization to offer managed care contracts in Southwest Florida.

South Carolina

Palmetto Community Health Network of Northeastern South Carolina

St. Eugene Community Hospital, Dillon, SC, and 12 other providers

The network, which will serve an eight-county area, was announced in January.

NORTHEAST

Baltimore

Helix Health System

Good Samaritan Hospital of Maryland,

Inc., Baltimore; Union Memorial Hospital, North Baltimore; and Franklin Square Hospital, Essex, MD

In early 1994 Good Samaritan announced it had agreed to join Helix Health System, which has been in operation since 1988.

Brockton, MA

Good Samaritan Medical Center

Cardinal Cushing Hospital and Goddard Memorial Hospital

Hospitals merged October 1, 1993, to form Good Samaritan Medical Center.

Denville, NJ

Hospital Merger

St. Clares-Riverside Medical Center and Walkkill Valley Hospital

New Jersey approved merger late in 1993.

QualCare Preferred Providers

St. Clares-Riverside Medical Center, Denville, NJ; St. Joseph's Hospital and Medical Center, Paterson, NJ; and 19 other New Jersey providers

Created in 1990 by St. Clares-Riverside Medical Center, QualCare has recently expanded to a statewide network that includes 21 hospitals and 2,000 physicians throughout New Jersey.

Scranton, PA

Physician-Hospital Organization

Mercy Hospital, Wilkes-Barre; Mercy Hospital, Scranton; St. Joseph's Hospital, Hazleton; Marian Community Hospital, Carbondale; Mid-Valley Hospital, Peckville

Hospitals formed a physician-hospital organization in December 1993.