

Community Support Facilitates Merger

BY PHIL RHEINECKER



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More often than not, proposed hospital mergers encounter community resistance that complicates the negotiating process and leaves questions that persist even when the merger succeeds. When a community supports a merger, however, the hospitals involved reap lasting benefits.

In Everett, WA, the merger between Providence Hospital and General Hospital Medical Center provides a case study in how careful planning and enlightened leadership enabled a community to take a giant step toward integrating its healthcare delivery system. As part of the agreement, the merged entity, Providence General Medical Center (PGMC), assumed a Catholic identity and became part of the Seattle-based Sisters of Providence Health System.

A RECEPTIVE COMMUNITY

A number of factors helped prepare the Everett community for fundamental changes in the structure of its local healthcare system. In 1992 Leland Kaiser spoke to hospital leaders and the local Rotary Club about the need for the community to unite to address its healthcare needs. In response, a group of Everett organizations formed a partnership to explore approaches the community could take to making healthcare more efficient and effective.

"Members of the partnership felt that healthcare was at a crossroads and thought it was time for community leaders to do something about it," explains Jim Hayes, who was then chairperson of the board at General Hospital and is now chairperson of Providence General. Sharp drops in inpatient days had already led to layoffs at the city's two hospitals, and leaders projected that



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utilization rates would continue to decline. About the time the partnership was forming, General Hospital's chief executive officer Mark Judy approached Hayes with the idea of a possible merger between the city's two hospitals.

Two factors made Providence an attractive potential partner for General Hospital, according to Peter Bigelow, vice president of operations, Sisters of Providence Health System. "The first was the strategic advantage of having only one institution for the city," he said. "But Everett also wanted to link up with an institution that was part of a larger system, giving it access to capital and management depth, as well as the potential to bid for statewide contracts."

There was some precedent for cooperation between the facilities. Although the hospitals had become strong competitors during the past decade, they had previously worked closely together. A joint planning committee formed in 1975 had provided a forum for the facilities to determine questions such as which services each hospital would offer. In the early 1980s, however, leaders at Providence Hospital and General Hospital disbanded the committee out of fear that continuing such discussions would violate antitrust laws.

The healthcare reform debate in Washington State was another factor that prepared the Everett community for change. "We went through a two-year public process addressing reform issues," said Bigelow. "Once the reform discussion was translated into law, it became clear that hospitals and physicians would shortly face significant pressures to hold down costs and reorganize to share risk for a defined package of services." Washington State's Health Services Act requires providers to offer a minimum benefit package by July 1, 1995.

GETTING SUPPORT

General Hospital and Providence began talking in earnest early in 1993. With a negotiating team in place, hospital board leaders initiated a campaign

to educate the community about the merger and its potential benefits for Everett. In April representatives from both facilities met with the editor of the local newspaper to discuss the hospitals' plans.

About the same time, the public relations department at General Hospital and Providence put together a 15-minute slide show with narrative outlining the rationale for the merger and its advantages for Everett. "We got ourselves invited to every service club, church, and neighborhood group in the market area," says Hayes. To complement the public education campaign, the hospitals collaborated to produce a weekly newsletter, *Joining Forces*, that kept employees informed about the merger's progress.

The negotiation and agreement process went quickly, with talks beginning in April 1993 and the merger completed on February 28, 1994. Bigelow cited strong local board leadership from both hospitals as the major success factor. "Local leaders came to understand that trends in health-care were making it increasingly unlikely that Everett could continue to support two hospitals," Bigelow said. "They saw that integrating existing healthcare resources would be the most efficient way to use available healthcare funds."

John Herber, former chairperson of the Providence board and now PGMHC vice chairperson, said the conviction that the merger would be good for Everett drove negotiations from the beginning. "The greater good of the community was our benchmark," Herber noted. "When we encountered obstacles, coming back to this basic value helped us find ways to solve the problems."

A high level of trust among members of the negotiating team was another critical success factor, said Herber. "Most of the directors of the two hospitals knew each other quite well."

Strong support from the medical staff also helped speed the merger process. It was agreed from the start that decisions which would have clinical impact would be worked out after the merger in an open process involving physicians.

The merged organization is set up as a separate corporation with the Sisters of Providence Health System as the sole member. Under this arrangement, a local board makes most operational decisions. By contrast, other hospitals in the system are governed by a central system board.

MAKING IT WORK

John Rinset, Providence General's chief executive officer and administrator, stressed that the merger's formal completion was only a first step toward creating a truly integrated organization. In fact, many employees on the Colby campus



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(formerly General Hospital) complained initially that the arrangement felt more like a takeover than a merger, since the new organization was Catholic and owned by the Sisters of Providence Health System.

To address this and similar issues, Providence General has developed a cultural integration program. Every employee is required to attend sessions during which facilitators review the histories of both hospitals and encourage participants to brainstorm about what they would like to retain from the two cultures as they work to form a new culture.

"In early meetings," Rinset said, "people tended to complain about the changes. But as more sessions have occurred, employees are beginning to seize the opportunity to explore how to build a new culture out of the two hospitals' rich histories." Attitudes are changing, Rinset added, "in part because the cultural integration process is beginning to achieve its goals and in part because people are hearing a consistent message that this is in fact a merger. They are also seeing signs that the merger is working."

Keeping communications open between the two hospitals and continuously monitoring their effectiveness are critical to managing change, Rinset said. After the merger was completed, Providence General went from weekly to monthly publication of its *Joining Forces* newsletter, but executives soon found that the monthly format created too much lag time in responding to important employee questions.

So in June, the communications department resumed weekly publication of the newsletter. At the same time, *Joining Forces* added a regular column in which Rinset answers employee questions about merger and integration issues. He receives about 15 to 20 such questions a week. Providence General has also added weekly informal morning gatherings at each campus, in which senior executives are available to anyone who wants to ask a question or talk over an issue.

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PROVIDENCE GENERAL MEDICAL CENTER, EVERETT, WA

Sponsor: Sisters of Providence Health System

Owner: Membership corporation, with Sisters of Providence Health System as sole member

Governing Board: Local, with selected reserve power to system board

Facilities: Providence General Medical Center Pacific Campus and Providence General Medical Center Colby Campus

important aspect of localized control and financing is for the managed care product and insurance company to be based in the community.

"If your insurance company is based in the city and your premium dollars go there," Human said, "you know that some percentage less than 100 will eventually return to the community." So he advocates "managed care systems in rural areas where you pay the money locally, the money stays locally, and care is delivered locally, and you're making an investment in the viability of the community as well."

MAKING THE RURAL VOICE HEARD

At press time, the healthcare debate seemed as if it might stretch indefinitely into the future. But even if it were settled this year, rural providers would still have some years of struggle ahead to achieve their own goals.

One problem, Human pointed out, is that none of the current proposals includes requirements for rural representation on any of the advisory or decision-making boards. If such representation were required, he said, "at least we could keep our foot in the door no matter what happens and have a place where we can have a voice in what's happening."

RuPRI panelist J. Patrick Hart, PhD, noted that the organization has been in contact with Congress to try to influence legislation. But he added that the target is moving so fast, it is hard to keep up with. "I have a sense that the rural voice has gotten very low and quiet," Hart said. "Part of it is because we have various constituencies in rural America and we're often not comfortable about stepping on other people's toes." But, he added, in the current unstructured situation, rural providers have greater opportunity for having an effect on the outcome. "We've got to get rural back on the agenda," Hart said.

—Susan K. Hume

Rinset stressed the importance of a clearly defined decision process.

ANXIETIES OF RESTRUCTURING

Despite these efforts, anxieties persist, Rinset said, in part because organization restructuring will continue to entail work-force reductions. The top-level management structure is already in place, but Providence General's midlevel restructuring, which is just getting under way, will eliminate many of its 100-plus managerial positions.

Rinset stressed the importance of a clearly defined decision process as organizations go through such changes. To develop a new organizational chart, Providence General assigned task forces to determine how to reorganize the organization's functional areas (e.g., nursing services). A central group, the merger task force, coordinates the efforts to ensure that none of the smaller task forces operates in a vacuum.

"As we have worked through this process," Rinset said, "people have become more assured that it is a fair and effective way to make decisions. They know the process and have seen it work. Some have given feedback to help design it, and some have been members of the task forces that make recommendations."

EXCITEMENT OF CHANGE

Despite the inevitable difficulties related to the merger, Rinset said excitement is growing within the organization as people realize they have an opportunity to create a dynamic new organization that better serves the Everett community. "In my experience, the level of cooperation between the community, the medical staff, our institution, and the system is unique," he noted. "I have been constantly impressed by how solidly the board has backed our efforts and how well they have understood their role and the role of management."

One sign of the board's growing

awareness of its new role was a decision to disband its community relations committee, which had focused on public relations and advertising, and replace it with a community benefit committee. "The new committee's role," said Chairperson Hayes, "is to learn what the community needs and to look for ways to help bring that into being."

A more tangible benefit of the merger has been the elimination of the magnetic resonance imager on the Colby campus, which will save Providence General about \$600,000 a year. The organization is also talking with a Lutheran skilled nursing facility in town, which had been planning to spend \$15 million to replace an aging physical plant that no longer met state standards. The two organizations are discussing the possibility of relocating the facility to one of the PGMC campuses.

Rinset noted that the new arrangement would not only produce a "dollar benefit" but a "care benefit" as well because it would simplify the movement of patients within the healthcare delivery system. Another step PGMC is taking to simplify access to care is to merge the insurance contract at the organization's two campuses. The move will allow patients to use a service at either site if it is available there.

LIVING WITH CHANGE

"People frequently ask me when the changes are going to stop," Rinset said, "and I tell them that they are not. We're simply going to have to get better at handling them."

"Not everyone is going to be happy with the changes," he continued. "So as you move forward, you just keep working on improving attitudes and increasing the number of people who are cooperative, supportive, and committed." □