

Systems Merger Will Help Preserve A Catholic Presence in Baltimore

BY BETSY NEWMAN & PATRICIA TRICE



INTEGRATED
DELIVERY
NETWORKS

As integrated delivery becomes a reality across the nation, many Catholic institutions face the issue of preserving their Catholic identity while entering into collaborations with non-Catholic entities. Good Samaritan Health System, Baltimore, recently experienced this challenge first-hand when it decided to become a member

of the Helix Health System.

THE COMPONENTS

In February 1994 Good Samaritan announced it would join Helix—a comprehensive healthcare organization formed in 1987 by Franklin Square Hospital Center and Union Memorial Hospital. Since its formation, Helix has been laying the foundation for becoming an integrated delivery system. The system now offers primary care and physician services, home healthcare, mental health services, medical professional billing services, hospice, and nursing home care.

Good Samaritan Hospital was established in 1968 by a gift from the estate of Thomas O'Neill, a Baltimore merchant and philanthropist who wanted to ensure that those in need received adequate healthcare. His will specified that the hospital provide charity care to "God's poor and those in moderate circumstances."

O'Neill's intentions in the will were interpreted to mean that Good Samaritan be a Catholic hospital. Although the Catholic Church does not own any Good Samaritan Health System property or have any control of the system in the classic juridical sense, Good Samaritan willingly abides by the same principles as other Catholic healthcare facilities.

The Good Samaritan Health System now includes a 287-bed acute care hospital, two professional office buildings, a 94-unit apartment housing complex for



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the elderly, and a 137-bed nursing home.

With the addition of Good Samaritan, Helix will become the largest community hospital-based system in Maryland and the state's second-largest healthcare delivery network. Total assets of the combined entities will be nearly \$500 million, with annual net operating revenues in excess of \$420 million.

PLANNING

In January 1993 the Good Samaritan board, which had just completed the last cycle of the system's strategic plan, turned its focus to healthcare delivery issues and their impact on the system. "We could see that we weren't well positioned for the future and we wanted to take action while we were in a position of strength," says Good Samaritan Hospital Board Chairperson Patricia K. Smyth.

Although Good Samaritan is one of the most profitable hospitals in Maryland and has a high inpatient census, it is not a full-service hospital. The board wanted to broaden the scope of Good Samaritan's services to include other products and services such as home healthcare and durable medical equipment. At the same time, the board hoped to position Good Samaritan to survive the national trend of consolidation among hospitals. To achieve these goals, the system would have to find a partner.

An ad hoc committee formed in 1988 had already researched the integration issue as it related to the hospital's endowment and its Catholic identity. The committee explored several scenarios, noting that the hospital could join with a non-Catholic entity and still preserve its Catholic identity. In addition, it found that the O'Neill endowment could become a separate "freestanding" community enterprise.

In early 1993, about the time the board concluded that the system should investigate potential partners, Helix approached Good Samaritan with a merger proposal. Helix's name had, in fact, already come up in board discussions, Smyth

says, but members did not yet feel prepared to make an informed decision. "We went back to them and explained that our board needed to go through an educational process to understand the evolution occurring in healthcare today and the impact of that evolution on Good Samaritan's future stability."

Through August 1993 the board attended seminars, read books and articles, and listened to speakers to gain a firmer grasp of the issues affecting their merger decision. The management staff led a process of analyzing how these changes were likely to affect the Baltimore area, and Good Samaritan in particular. Finally, the board concluded that Good Samaritan needed to merge with another health system, preferably Helix.

ARCHDIOCESAN SUPPORT

Abp. William H. Keeler was an active participant in the planning and negotiating process from the beginning. "Abp. Keeler is very interested in the services offered through Catholic healthcare facilities in the archdiocese," says Smyth. "He understands the financial obligations and other barriers facing Catholic hospitals."

When the Good Samaritan board concluded that some form of integration would be necessary, a group of board members and senior executives went to Abp. Keeler to inform him of their plans. They discussed the issue of maintaining Good Samaritan's Catholic identity and explored concerns about the possibility of merging with a non-Catholic entity. "Abp. Keeler was immediately aware of the Catholic identity issue because of the mergers involving other Catholic hospitals across the country," says Smyth.

Good Samaritan had considered teaming up with a local Catholic hospital or system. However, earlier attempts to collaborate with other Catholic providers suggested that such opportunities would be unlikely in the near future.

NEGOTIATIONS

Having decided to enter into talks with Helix, the board, with input from Abp. Keeler, drew up a list of requirements Good Samaritan could use as a basis for negotiations. Members resolved that in any agreement, the Catholicity of Good Samaritan must be preserved. Since Good Samaritan is not owned by the Church, alien-



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ation of property was not an issue.

Negotiations began in earnest in November 1993. Throughout the negotiating process, the board kept Abp. Keeler apprised of developments. When the two parties were nearing an agreement, the archbishop asked to meet personally with Helix's current board chairperson, Robert W. Lindsay, to satisfy himself that the system's vision, goals, and values were compatible with those of Good Samaritan. By January 1994 the two parties had settled the major issues.

THE AGREEMENT

"The parties agreed from the outset to maintain and preserve Good Samaritan as a Catholic institution," explains James A. Oakey, president and chief executive officer (CEO) of Good Samaritan. The contract includes a clause stating that "the 1971 National Conference of Catholic Bishops' *Ethical and Religious Directives for Catholic Health Facilities*, or any revised or successor document, will apply to all Good Samaritan entities." It also mandates that the directives will apply to any activities taking place on the Good Samaritan campus or any properties owned by Good Samaritan. In addition, it states that any program, service, or facility initiated or operated solely by any Good Samaritan entity must follow the directives.

To protect the endowment and the intentions set forth in the O'Neill will, the two systems signed an "Endowment Agreement" stipulating that endowment funds will not become part of Helix. The endowment will be managed by the Thomas O'Neill Charitable Fund, with income from the fund being dedicated for use by Good Samaritan under the terms of the O'Neill will. In essence, Smyth explains, the Good Samaritan Members Board will have the power to make "grants" to the hospital to fund programs for the benefit of the community. In addition to managing the endowment, the board will ensure that Good Samaritan entities adhere to the *Ethical and Religious Directives*.

Good Samaritan's joining with Helix will coincide with a restructuring of Helix's board of directors and management. Oakey will assume the role of president and CEO of the new system, and other key Good Samaritan board members

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STAGES OF CULTURAL CHANGE

Once an organization's authority, refounding, and renewal persons begin to collaborate, they can work through the stages of cultural change:

1. *Disorientation stage.* In the disorientation stage the potential for change is merely a thought. "This makes us happy but anxious," said Fr. Arbuckle, because we wonder what the change will lead to.

2. *Political stage.* In the political stage an organization creates legislation to control the chaos that might erupt as a result of change. However, warns Fr. Arbuckle, no legal actions will make change occur.

3. *Chaotic stage.* Chaos occurs when an organization is unwilling to own the change. Chaos leads to feelings such as bewilderment at the loss of the predictable, nostalgia for the past, and scapegoating to blame others for the confusion.

4. *Self-help stage.* Self-help emerges once an organization says, "Enough is enough of the chaos. We need to do something." Fr. Arbuckle described this stage as the most dangerous because the organization has two options. It may follow the simplest instant solution to a complex problem so it may quickly return to the predictable. Or it may decide to follow the path of conversion—rethinking its purpose and planning new ways to emerge from the chaos. The conversion route is painful, demanding risk, patience, skill, faith, and hope. Unfortunately, "the human spirit does not want to wait, does not want to risk, does not want a messy approach to culture," Fr. Arbuckle pointed out.

5. *New culture.* A refounded culture will emerge if an organization makes it through the first four stages of change.

GRIEVING THE LOSSES

Catholic healthcare organizations can find the energy and guidance to successfully journey through refounding only if they grieve the losses that occur along the way.

Unless an organization, culture, or group acknowledges its grief, Fr. Arbuckle said, the individuals within it will not be able to grieve publicly. The Vietnam Veteran's Memorial, for example, is considered one of the most important monuments in the United States because it gives us a place to grieve.

For refounding to come full circle, organizations and individuals must work through three stages of grief:

1. In the *separation stage*, persons react to the loss with anger, sorrow, guilt, regret, and apathy.

2. In the *liminal/reflexive stage*, persons adjust to the reality of the loss. They experience tension between the pull of the past and the realities of life, *gaining strength to face the future with the loss.*

3. In the *reaggregation stage*, persons return to normal life, strengthened by conversion to the future in the previous stage.

Fr. Arbuckle pointed out that Westerners have a tendency to avoid stages one and two, wanting to go straight to stage three.

THE INNER JOURNEY

As leaders steer their organizations through chaos and into refounding, they must concurrently travel an inner journey in which they discover what God is asking of them, stated Fr. Arbuckle. Only such an inner journey will give them the strength to lead their organizations into a world beyond human imagination.

—Michelle Hey

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will join him. Good Samaritan Health System Board Chairperson Edmund J. Fick will become treasurer and chairman of Helix's Finance Committee, and Smyth will become chairperson of the system's Strategic Planning Committee. Good Samaritan will have 5 of Helix's 15 board seats.

THE NEW HELIX

With key board members and its CEO in leadership positions, Good Samaritan will have a major role in the new Helix Health System. "I think we will be able to influence the other hospitals in terms of ethical issues and strengthening services like pastoral care," says Oakey.

Good Samaritan expects the negotiations, now in the process of due diligence, to be completed by July 1. The hospital is currently seeking federal and state regulatory approval. Good Samaritan anticipates approval from the Maryland Health Resources Planning Commission, which has encouraged consolidations by granting exemptions for certificates of need by systems that have merged.

The new Helix will operate a total of 1,080 hospital beds and 270 comprehensive care beds, representing more than 40,000 annual inpatient discharges. The system will offer all major medical and surgical specialties.

Oakey foresees a bright future for the system. "The combination of two strong and forward-thinking partners gives us the momentum to ensure Helix's future growth," he says. □

To learn more about Good Samaritan's integrated delivery activities, call Betsy Newman at 410-532-4980.