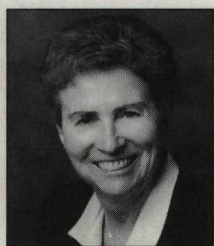


SHARING YOUR CULTURE WITH A NEW PARTNER

*Catholic System Implements Plan to Integrate Values
When It Acquires a For-Profit Hospital*

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In 1994 St. Joseph Health System (SJHS), based in the city of Orange, Orange County, CA, acquired Mission Hospital Regional Medical Center, a for-profit, physician-owned facility in Mission Viejo, which is in the southern part of the county.

Although the cultures of the system and the hospital were similar in some ways, they were quite different in others. After the acquisition, the system's leaders launched a campaign to introduce Mission Hospital's employees to the SJHS's mission and values.

THE ACQUISITION

SJHS, which is sponsored by the Sisters of St. Joseph of Orange, already operated two hospitals in Orange County. To strengthen the system's position in this market, SJHS's leaders decided to acquire Mission Hospital, reputed to be the premier healthcare facility in its part of the county.

The acquisition process took more than a year.

Unfortunately, the legal and financial issues proved to be so difficult that the negotiators spent little time discussing values. Although SJHS's leaders suspected that Mission's culture would be a good fit with the system's, they did not perform a cultural audit on the hospital. In this case, the fit was good and no ill effects of this neglect were felt. But the system's leaders have since decided they will pay more attention to cultural issues when considering possible acquisitions in the future.

CULTURAL INTEGRATION BEGINS

For more than 22 years, Mission Hospital had had a 14-member board of trustees that was dominated by physicians. In September 1994 SJHS replaced that board with one comprising the chief of the hospital's medical staff, four community residents (including a physician who had been a member of the old board), three system executives, and four members of the Sisters of St. Joseph. The system thus began integrating the two cultures at the top.

Summary In 1994 Orange County, CA's St. Joseph Health System (SJHS), aiming to strengthen its position in the regional market, acquired Mission Hospital Regional Medical Center, a for-profit hospital believed to be the premier healthcare facility in the southern part of the county.

SJHS's leaders began integrating the two cultures at the top, replacing Mission's board but keeping its top managers in place. A member of the Sisters of St. Joseph joined the managers as the hospital's new vice president of sponsorship.

In a series of orientation meetings, the hospital's leaders explained SJHS's mission and values to the staff, announcing that Mission would add a pastoral care department, emphasize care of the medically underserved, and discontinue abortion and sterilization procedures.

Some Mission staff were disappointed when the hospital terminated a project that offered assisted reproductive technologies. In addition, capitation and exclusive contracting has caused conflict among area physicians, which affects the hospital. And Mission needs to further educate physicians and staff about bioethical issues.

On the other hand, Mission has launched a center to help strengthen area families, a transportation system for senior citizens, and a dental clinic for underserved children. It has also taken over sponsorship of a clinic for underserved families. And, in 1994, the hospital opposed Proposition 187, which called for denying state services to illegal immigrants. Many Mission staff have been heartened to learn that the hospital considers justice a core value.

Although it replaced the hospital's board, SJHS retained its top managers. The chief executive officer (CEO), chief operating officer, and chief financial officer had spent the previous six years developing a generally successful operation. By keeping them on board, SJHS helped make the transition a smooth one. To this group—called the “executive management team”—SJHS added a member of the Sisters

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anagers asked questions about the history and traditions of the Catholic Church.

of St. Joseph as vice president of sponsorship. Once the acquisition process was complete, SJHS's leaders developed a plan to ensure that key persons and groups at Mission Hospital understood the missions and values of both the system and its sponsor. The vice president of sponsorship and the other members of the executive management team were assigned to lead the cultural integration efforts.

Before the end of September, the executive management team had oriented Mission's senior administrators and department heads about SJHS's mission, values, and regional plan for Orange County, in which the hospital was expected to play a key role. Mission's leaders raised questions about employees' retirement benefits. (Employees were concerned because federal regulations would not allow the hospital, now a not-for-profit institution, to continue its 401K program.) The sponsorship group also announced that, as a Catholic facility, Mission would no longer perform abortions or sterilization procedures; this elicited little comment from Mission's leaders.

Following this, the executive management team organized a series of round-the-clock meetings for Mission's employees and volunteer workers. About 900 of 1,300 employees and 150 volunteers attended. During September and October, meetings were also arranged for the hospital's obstetrics and gynecology department, bioethics committee, and medical executive committee. Although medical staff did not receive a formal orientation, they were invited to a reception hosted by the system CEO and other representatives. At each of these gatherings, the sponsorship group announced that, as part of SJHS, Mission would:

- Add a pastoral care department
- Emphasize care of the medically underserved
- Undergo no radical changes, except for dis-

continuing abortion and sterilization procedures

The system had promised from the outset to respect Mission's culture and values and, insofar as it was possible, to integrate them with SJHS's. The sponsorship group had drawn up a Values and Sponsorship Implementation plan to show Mission's staff what they could expect from the system. The plan noted that SJHS's core

values (dignity, service, excellence, and justice) were quite similar to Mission's (quality, service, integrity, innovation, collaboration, and compassion).

Later, in November and December, the sponsorship group held two daylong orientation sessions for the hospital's 120 department directors and supervisors. These meetings were designed to inform these middle managers about the history, values, and structures of SJHS, the Sisters of St. Joseph, and the Catholic Church; and to elicit any questions or concerns the middle managers might have about them. The managers were also asked to fill out a form assessing Mission's values before the acquisition. Their answers indicated a desire to provide more care for the medically underserved and to respond more strongly to all patients' spiritual and emotional needs.

Many of the questions raised at the middle managers' meeting concerned the history and traditions of the Catholic Church. Participants wanted to better understand their new sponsor, what it would mean to be employees of a Catholic-spon-

TIPS ON CULTURAL INTEGRATION

St. Joseph Health System learned, in acquiring Mission Hospital, that planning for cultural integration should begin long before the acquisition takes place. The essential elements are:

- Build on the existing culture as much as possible.
- Communicate your goals not only to the hospital staff but also to the diocese and local parishes.
- Provide hospital-wide education about mission and values.
- Ensure that the acquisition benefits the hospital as well as the system.
- Focus your message on the hospital's senior and middle management; their “buy-in” will be vital to moving forward.

sored institution, and what effect Mission's affiliation with SJHS would have on them personally. Among the questions they asked were: "Has SJHS ever acquired a hospital only to sell it later?" "Will non-Catholic Mission patients have access to clergy of their own faith?" "Will employees' benefits be restricted because of Catholic doctrine?" and "Will defining Mission as 'Catholic' enable Catholic employees to bring a more personal Christian witness to their work?"

The middle managers were told, in response to the last question, that employees should not proselytize or project their own religious views on patients or patients' families. But they also learned that talking about religion or spirituality and praying with patients if asked to do so were not taboo.

CONTACTING THE CATHOLIC COMMUNITY

SJHS also paid attention to the local Catholic community. The system's senior vice president for mission and values, assisted by a member of the Sisters of St. Joseph, had begun by contacting the six Catholic parishes in the hospital's service area. In January and July 1994, they organized meetings to introduce the parishes' priests to SJHS representatives and solicit the priests' opinions of Mission. They found that the priests generally favored the hospital because they felt welcome there when they visited it as pastors and because many of the facility's employees were residents of their parishes.

The priests agreed to announce Mission's ownership change in their parish bulletins. In one parish, two SJHS representatives came to a meeting to answer questions about the acquisition and other healthcare topics. They explained that although SJHS intended to provide Mission with strong direction in mission, values, and vision, it would also respect local needs. Most parishioners seem pleased to learn that the hospital would now have a pastoral care department.

ESTABLISHING MISSION'S CATHOLIC IDENTITY

On October 7, 1994, Bp. Norman F. McFarland of the Diocese of Orange presided over a ceremony that dedicated Mission as a Catholic institution. The hospital's leaders underlined its new identity through such means as hanging crosses in its rooms and regularly opening meetings with a prayer. A temporary chapel has been made available for staff and patients and their families. Mission's leaders are planning to build a permanent chapel.

Perhaps the most dramatic change, at least from patients' point of view, was SJHS's creation of a pastoral care department at Mission. Before the acquisition, a volunteer chaplain had come to the facility three times a week, and local priests and

pastors had visited hospitalized members of their congregations. SJHS's leaders, believing that meeting emotional and spiritual needs is vital to both inpatient and outpatient care, created the new department and hired a director and four chaplains to staff it. The response has been overwhelming. Indeed, Mission's pastoral care services have proved to be so popular that the department has recently had to add trained community volunteers to help provide them.

MISSION SINCE THE ACQUISITION

It has now been more than two years since SJHS acquired Mission. Which transition problems have been solved? Which remain?

Caring for the Underserved The hospital is currently making strong outreach efforts and dedicating resources to the care of the area's medically underserved. In 1995, after Mission collaborated with 30 community leaders in carrying out an area needs assessment, the hospital established three badly needed services:

- A family resource center at which area residents learn parenting skills and others that help strengthen the family
- A transportation system for senior citizens
- A dental clinic for underserved children

In addition, Mission has taken over sponsorship of a clinic caring for a medically underserved population in south Orange County. Forty-eight percent of its patients are uninsured, a percentage that is likely to grow if Congress restricts eligibility for Medicaid benefits.

Regionalization In acquiring the hospital, SJHS aimed to build an integrated delivery system that would be one of three or four such systems in Orange County, which has a population of about 2.6 million. SJHS has made progress in setting some unified policies (concerning managed care contracts, supply purchasing, and employee benefits, for instance) that apply to all its facilities. And it has established a cardiac network that has improved communication among its cardiologists and cardiac surgeons. Most important, SJHS has affiliated with a major medical group that comprises more than 100 primary care physicians and provides care for more than 100,000 capitated lives.

Patient Volume and Costs The ratio of staff members per patient remains significantly higher at Mission than at the other SJHS hospitals. In some departments, Mission's patient volume is higher as well. As the region moves toward a higher level of managed care, Mission's leaders need to reduce both costs and patient volume. To achieve these goals, the hospital has implemented aggressive case management efforts, regional purchasing, and employee benefit savings. Mission has also added a much-needed transitional care unit and participates in

SJHS's regional home care system.

Reproductive Issues In December 1994 Mission's medical staff added the *Ethical and Religious Directives for Catholic Health Care Services* to its bylaws, with neither discussion nor dissension. In meetings with the hospital's obstetrics staff and its ethics committee, the senior management team outlined Catholic teaching on reproductive issues, announcing that neither tubal ligations nor vasectomies would henceforth be permitted and that abortions would be performed only when the woman's life was threatened.

In fact, physicians had rarely performed abortions at the hospital or an associated surgicenter, so this policy change caused no serious problems. On the other hand, tubal ligations and vasectomies were commonly performed at Mission, and some obstetricians said the change might force them to take their business to another hospital or open their own surgicenter. To date, however, this has not happened.

The reproductive services issue was complicated by the fact that Mission's previous owners had contracted with two physicians to direct a reproduction center that would test and treat patients for infertility, treat reproductive endocrine system disorders, and offer assisted reproductive technologies. It was the third service that posed problems for Mission's new Catholic sponsor. Nevertheless, negotiations between SJHS and the two physicians continued until March 1995, when the project was terminated. Some staff members saw losing the center as a setback for the hospital, but hospital administrators clearly explained why the services would not be continued.

Other Medical Staff Issues Divisions abound in Orange County's medical community, and these divisions naturally affect Mission. For example, some of the region's doctors belong to a strong independent practice association (IPA). The hospital must maintain a relationship with the IPA, but it must also remain friendly with those unaligned physicians who want to do business with Mission and SJHS.

Capitation and exclusive contracting for specialists' services has brought conflict into a formerly collegial environment. This also affects Mission, because capitated contracts are a large part of its

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business. What is more, the hospital carries a heavy debt burden because of the acquisition. It also needs to educate its physicians and staff about bioethical issues. And on top of all this, Mission is, on one hand, adapting itself to managed care and the reimbursement methods associated with it and, on the other hand, moving from for-profit, nonsecular ownership to not-for-profit, reli-

giously based sponsorship. Such changes are likely to cause frustration and tension.

Rallying Against Proposition 187 But Mission has also had an important symbolic victory. In November 1994 Californians went to the polls to vote on Proposition 187, which called for denying state services (including healthcare and education) to illegal immigrants.

SJHS, along with other Catholic systems in the state, took a strong stand against the measure. The system not only contributed financially to the anti-Proposition 187 campaign; it also publicized the issue among its facilities' employees.


For Mission's employees, this amounted to a radical cultural shift. They were not used to having employers take unambiguous positions on such issues. And Mission's stand was not popular with all its workers. Some said they felt the hospital was trying to influence their votes; others complained that it was "mixing religion and politics."

As it happened, Californians approved Proposition 187 after all (the measure is currently being weighed by the state's courts). However, many Mission workers were heartened during the campaign to learn that SJHS considered justice a core value and would advocate it strongly. They welcomed the coming of the new culture.

INTEGRATION PROCESS CONTINUES

Despite a variety of issues and concerns, SJHS's and Mission's employees have come to respect each other and to realize that each organization brings assets to their joint endeavor.

Nevertheless, it would be foolish for the new partners to say, "Well, that's over; now we can move on to other things." Cultural integration will continue over several years. □

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