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**The Allentown
Hospital**

A HealthEast Hospital

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THE ALLENTOWN HOSPITAL
PUBLIC RELATIONS DEPARTMENT

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SPECIAL EDITION

HealthEast Report

Dear HealthEast Family Member:

On December 16 the HealthEast Board of Directors approved the Plan of Merger that will create a single organization, to be known as **The Allentown Hospital-Lehigh Valley Hospital Center (TAH-LVHC)**. Effective January 1, 1988 TAH and LVHC will merge under the governance of a single board.

Officers of the Board will be:

| | |
|-----------------|---------------------|
| Chairman | William C. Roberts |
| Vice Chairman | Michael J. Thompson |
| Vice Chairman | Abram Samuels |
| Treasurer | Frank J. Ryan |
| Asst. Treasurer | Vaughn C. Gower |
| Secretary | Samuel R. Huston |
| Asst. Secretary | Regina M. Jones |

The full Board of Directors will consist of David P. Buchmueller, Gene Cesari, John B. Curcio, Ramon J. Deeb, M.D., Alfred E. Douglass III, Richard Fleming, William W. Frailey, Jr., M.D., Jack I. Greenblat, Wayne R. Huey, Jr. Samuel R. Huston, William M. Jackson, Lloyd Jones, David J. Kepler, Indru Khubchandani, M.D., John A. Kibelstis, M.D., Carl R. Maio, Robert E. McNabb, William D. Miers, Donna M. Pidcock, Helen Potts, Edith Ritter, William C. Roberts, Frank Ryan, Abram Samuels, Charles D. Schaeffer, M.D., Alan H. Schragger, M.D., Donald T. Shire, Ellwyn D. Spiker, Michael J. Thompson, Donald F. Wohlsen and Stanley E. Zeeman, M.D. Honorary Directors are S.H. Carl Bear, Valeria S. Boyer, Henry H. Dent, Harvey L. Farr, I. Cyrus Gutman, William S. Hudders, H. Thomas Koch, Jr., J. Mauser Lerch, John J. McCartney, Morton Schneider and Morton I. Silverman, M.D.

Samuel Huston will be President and CEO of the two-site organization which will be managed, clinically and administratively, as an integrated unit. The two Medical Staffs will continue separately with the prospect of merger occurring July 1, 1988.

The plan represents the work of the 16-member Merger Steering Committee and the input and views of TAH and LVHC Boards, Medical Staffs and managements and HealthEast Board and management as well as data gathered through site visits to similar organizations.

There were several issues and concerns that were to be dealt with by the merger:

1. Capacity limitations as they may affect quality and scope of services
2. Financial viability
3. Complicated organizational and decision-making process
4. Interest in directing attention to strategic objectives

There were criteria established which will be used to evaluate the merger over the next five years. They can be summarized:

- a. Will the merged hospital be a better place to be a patient and/or health professional?
- b. Will it be easier to govern and manage?
- c. Can we achieve both with better financial results in terms of future financial viability and the cost of care to our patients?

Mission of TAH-LVHC

The formal mission statement for the merged hospital will be developed by its Board of Directors. Based on major elements of the current mission statements of TAH and LVHC, it will include the following features: (1) a resource to meet the needs of the region; (2) highest attainable level of excellence; (3) part of regional health system; (4) clinical campus; (5) community health education; (6) cost effectiveness; (7) comprehensive services and (8) applied clinical research.

At the December 16 meeting we again reviewed and discussed how we believe this merger will make things better for individual patients and for health service consumers, in general. Many of these items are discussed in greater detail further on in this document.

1. Quality

- a. better able to transfer technology and talent between facilities;
- b. a joint clinical planning process;
- c. better able to retain and attract adequate numbers of superior nurses and other health professionals;
- d. the Office of Medical and Academic Affairs:
 - (1) will emphasize the Quality Assurance function.
 - (2) can provide better clinical leadership on both sites. Strengthened accountability will mean improved problem solving and better response to patients.
 - (3) Faster, more effective development of the Regional Resource Centers will bring programs and services to more people
 - (4) Integration of wellness and health promotion programs with clinical services.
 - (5) Strengthened approach to the medical school affiliation will continue and expand the availability of talented, young professionals who interact with and help patients.

2. Cost of Care

- a. Achieving further integration of services. A savings in operating costs of only 1% through such improvements would be worth more than \$1,000,000 a year.

- b. Better utilization of all facilities, accommodating more patients at a relatively lower unit cost. This should help us control further rate increases.
- c. As a consolidated credit, TAH and LVHC have been able to issue bonds and borrow money at a lower cost (\$25-50,000/year) than if each hospital had operated individually.

3. Access to Care

- a. When medical-surgical workload is balanced with more use being made of TAH facility, critically ill heart, trauma and other patients will have greater access to LVHC.
- b. The merger will ensure adequate funding for TAH clinics and other outreach programs even if patient volume continues to increase and government funding decrease.
- c. Overall, an 800-bed financially strong, high volume, well managed hospital can most feasibly be in a position to meet its mission and community service obligation, serving all who are in need.
- d. New programs resulting from the clinical planning process and other joint efforts can mean availability in the Lehigh Valley of services that might otherwise have required a patient or a family to leave the area.

In general, the merged hospital will be more efficiently governed and managed. With less time devoted to organizational processes, the Board, Medical Staff and management will have more time to devote to improving further the delivery of services. So, individual patients and the community at large will clearly benefit.

The Merger Plan

- 1. **TAH and LVHC will merge and the surviving entity will be named The Allentown Hospital-Lehigh Valley Hospital Center (TAH-LVHC).** The identity of the two facilities will remain the same, i.e., The Allentown Hospital and Lehigh Valley Hospital Center.
- 2. **The mission and services of the two hospitals will continue with no major change:**
 - a. two fully operational sites with necessary clinical and management supervision on site at both;
 - b. no major change in service mix but intensified efforts to make better use of TAH for certain medical/surgical services, thus helping to reduce strain on LVHC and to free-up facilities for its tertiary mission.
- 3. **A single Office of Medical and Academic Affairs will be established, under the direction of Dr. Headley White, to strengthen the clinical and operational role of the merged hospital management in consultation with the Medical Staffs.**

Responsibilities of that office include:

- a. Those responsibilities now in that office at LVHC:
 - (1) reporting relationship of clinical chairmen;
 - (2) quality assurance;
 - (3) medical school and related affiliations;
 - (4) Office of Education;
 - (5) liaison with Medical Staff(s).
- b. Support of Medical Staff(s) administration
- c. Clinical planning
- d. Regional Resource development and coordination
- e. Community Health and Wellness
- f. Practice support and clinical outreach

The addition of a full-time Director of Quality Assurance reporting to the Senior Vice President for Medical and Academic Affairs emphasizes the importance of this program.

The assurance of quality services is as always the ultimate responsibility of the Board. The two hospitals now utilize different mechanisms to carry out this responsibility; both have worthwhile features. The specific manner in which the new Board will carry out its quality assurance responsibilities will be a high priority for early deliberations of that Board. This can enable the responsible doctors and administrators to select the stronger approach from one hospital or the other or establish a new system, as necessary.

The two Hospitals have been distinguished as providers of superior services. This will continue, and, in fact, be enhanced as a merged unit.

4. **A search is under way for a Senior Vice President to lead a unified nursing service and education effort.** Until that individual is identified, nursing service will be managed at the individual hospital level. Academic affiliations and in-service education are in the process of being integrated.
5. **As part of the management plan, four basic approaches will be taken with respect to departments and functions of the two hospitals:**
 - a. already consolidated, e.g., lab and switchboard;
 - b. can be fully integrated, e.g., biomedical engineering and library;
 - c. partial consolidation;
 - d. remain as separate units but with coordinated approach.
6. **HealthEast is delegating additional meaningful responsibility and authority to the Hospital Board along with the added operational responsibilities described above.** This will occur within the context of HEI's ultimate authority and will include:
 - a. approval of CON applications not deleterious to HEI system with a value not exceeding 5% of component fund balance (in 1988 this will be \$4-5,000,000).
 - b. development of academic affiliations;
 - c. approval of added indebtedness up to 2% of fund balance subject to established bond covenants.

7. **Within the HEI management structure, we will establish the Office of the President** as a means of making my current span of control more manageable and ensuring the availability of senior management talent to direct our operation and to set future direction.
8. The two Medical Staffs together are working separately from management and governance but interdependently on a plan that best serves the needs of patient care and medical staff administration. **Surveys and deliberations to date indicate support for the merger and for a single Medical Staff.** Certain important matters remain to be resolved. As the merger proceeds, organizational emphasis should be placed on:
 - a. providing facilities and services that optimally support the practice of medicine;
 - b. further strengthening physician alliances, including programs that are of value to the doctor who is significantly affiliated with HealthEast; and
 - c. continued physician involvement in the governance of those HEI organizations which affect the practice of medicine. Both Medical Staff Presidents are now full voting members of the HEI Board.

Summary of Advantages

The planning process has emphasized the potential advantages while seeking to anticipate and minimize related disadvantages and pitfalls. In summary, the benefits far outweigh the drawbacks.

1. **There will be greater ability to transfer superior programs or concepts from one site to the other.**
2. **The joint clinical planning process will stimulate innovation and creativity on both sites.**
3. **As a full-service hospital, TAH-LVHC should be able to obtain capital funds under relatively favorable conditions.**
4. **The various facets of the merger plan, inclusive of inter-institutional and medical staff cooperation, should result in greater medical/surgical utilization of TAH beds.**
5. **Lower operating costs will result as some functions are consolidated, integrated or better coordinated.** Resources may also be freed up for future growth. Several actions essentially independent of the merger process have resulted in cost savings which will be realized as a result of the merger.

Additional savings will be achieved over a period of several years and will occur through such things as:

 - a. placing functions on both sites under a single manager;
 - b. inventory reduction;
 - c. cross-coverage for on-call duties;
 - d. dues, memberships and insurance where costs are based on the individual organization, e.g., Directors and Officers liability insurance;
 - e. consolidating or integrating functions.

6. **The Office of Medical and Academic Affairs is an extremely important part of this plan;** it consolidates under medical leadership clinical programs and the management of activities that affect doctors.
7. **The merged hospital will have greater capabilities** and can achieve appropriate recognition as a full-service, large (800-bed) tertiary care and educational center, e.g., in-house officer recruitment.
8. **The new organization will clarify the merged hospital's relationship to HEI in terms of who is responsible for what.** There will be more capability and clout at the hospital level. Both organizations should derive an improved image.
9. **The single Board of Directors with a somewhat expanded and clarified scope of activity will operate more efficiently than two separate Boards,** relative to HEI and to one another.
10. **A single hospital can mean improved efficiency and a reduced administrative burden for doctors:**
 - a. fewer meetings;
 - b. less complicated credentials and privileges process;
 - c. easier to admit and transfer patients;
 - d. greater confidence.
11. **Major endeavors such as budget preparation will require fewer man-hours** and there will be a clearer, unified pricing strategy.
12. Inasmuch as the proposed Plan of Merger has been drafted in cognizance of the Pool Trust's requirements, **we believe Pool Trust funds will be available for programs at TAH facility.**
13. **The merged hospital will be better able to bear the burden of a predictable growth in uncompensated care,** now mainly borne by TAH.
14. **Information systems, which can play a crucial role in the integration of the merged entity, is being centralized at the system level** rather than diffused as it currently is in our system.
15. **The timing is good** because it comes with both hospitals strong rather than with one rescuing the other.

Remaining Concerns

There are several remaining concerns that will be matters for the merged hospital Board, in some instances along with HEI, to deal with in a manner that ensures that there are no serious offsets to the advantages of the merger. These are, for example, the need to preserve the good will for and support of each hospital's auxiliaries and volunteers (including the Board of Associates of TAH), benefactors, employees and others. The top priority is the LVHC CON application.

Summary and Conclusion

Referring back to the original outline for merger planning:

1. **The Principles have been observed.** These recommendations are sensitive to the interests and needs of various parties, involve much participation and are being made in a timely manner.

2. These recommendations will satisfy the three major criteria.

- a. Patient care will be improved, both qualitatively and quantitatively.
- b. There will be a streamlined governance and management process with fewer meetings, better decision-making, clearer roles and responsibilities and a framework for greater cooperation.
- c. Quantifiable benefits can be expected in terms of revenue enhancement and/or cost reduction are estimated to be at least

The coming year will be crucial to the success of the merged hospital. I look forward to working with you in 1988 to make TAH-LVHC the finest hospital it can be.

David P. Buchmueller

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President