November 12, 1997

MERGER UPDATE

Lehigh Valley Hospital • Muhlenberg Hospital Center

What's Up?

Nov. 6 event -- About 120 department heads from LVH and MHC attended a get-together at the Allentown Hilton Nov. 6, as a first step in learning about each other's organization prior to the finalization of the merger. The evening's discussions highlighted many common interests and goals, and a similar commitment to making the merger work, according to the 54 evaluations submitted by attendees. Through storytelling in small groups, people learned what is common to the two organizational cultures: caring, commitment, listening, trust, openness, learning, common purpose, teamwork and customer focus. One department head wrote: "If this is what it's going to be like, we will have a very successful, dynamic system." Other events will be planned in short order to involve more people in both organizations, including a Nov. 17 session on change management.

Human resources -- Independent consultants will complete their process of collecting data comparing personnel policies, benefits and compensation practices at LVH and MHC by no later than the first of the year. The process of analyzing this information and developing priorities and an implementation plan will take at least through the end of January. Prioritization of issues will be addressed first, and an implementation timetable will then be developed. Again, sharing of this information and decisions on salaries and benefits are prohibited by anti-trust law before the merger is finalized. After decisions are made, implementation will take some time, but will be given high priority.

Information services -- E-mail has been extended to more than 30 MHC employees; E-mail users can check the *\Muhlenberg* public mailing list for all the names. Personal computers are on order for all MHC department directors; all should be on E-mail by the beginning of December.

Feedback -- Feedback forms are pouring in, listing employees' top concerns, benefits questions they consider top priorities and advice to the transition team. Most often mentioned as concerns are: job security, reporting relationships, department integration process, job elimination in the process of consolidation, job posting and bidding, seniority, expansion of patient centered care, location of consolidated functions, increased workload and transfers between sites. Employees feel the following benefits issues should receive top priority: pay scales, pay dates, retirement benefits, health insurance, staff reduction policies, time off, part-time benefits and tuition reimbursement.

Rumor Control -- Call 402-CARE

Rumor: Some departments or functions will be merged and some won't.

Fact: Most if not all departments will eventually be integrated, in order to achieve the merger goals of improved cost efficiencies and continued or improved quality of care. The merger transition team has identified a process for integrating departments that generally includes the following steps: inventory programs,

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services and functions in four groups -- administrative, support, hospital/clinical and subsidiary corporations; prioritize services to be evaluated; and develop an integration plan. Some integration work groups will be formed shortly after merger closing, with representation from staff at many levels from different sites. The final structure of integrated departments and the naming of department directors will evolve over time, some more quickly than others. Among the principles that will guide the work group are: 1) keep it simple; 2) determine and choose best practice; 3) maintain access to services; and 4) meet or exceed customer expectations. It's expected that economies of scale should result, with expenses the same or lower than were incurred as separate functions.

■ Physicians' Team

The medical staffs of MHC and LVH held meetings earlier this week to discuss a variety of merger issues. Among the topics of discussion was a document outlining rationale for evolving into a single medical staff.

■ A Line or 2 from Lou

One of the most difficult aspects of this merger for me has been containing my enthusiasm. I don't want to be seen as a cheerleader, glossing over all the issues and difficulties and hard work that we face. Believe me, I don't underestimate for one moment the nature of the challenges we all will encounter over the next several months as we integrate our activities and ourselves into a new, unified organization. But I can't help but be encouraged and excited by the enthusiasm and energy I saw in action at last Thursday's get-together with our department heads. When evaluation forms from an event come back almost uniformly with comments like "truly a wonderful institutional journey" and "this is exciting!" and "I am optimistic, and believe it will go well," then I know we're on our way.

Lou Liebhaber
Chief Operating Officer, LVH
Chair, Merger Transition Team

November 5, 1997

MERGER UPDATE

Lehigh Valley Hospital • Muhlenberg Hospital Center

■ What's Up?

The senior oversight group for the merger of LVH and MHC has approved a proposed organizational structure for Lehigh Valley Health Network, to take effect after the merger is finalized. The proposed organizational structure takes advantage of a combined and talented management team to lead LVHN once the merger of LVH and MHC is finalized. Any other related reporting relationships have not yet been worked out, but interim decisions will be reported on the date of closing.

The change with the greatest impact is the appointment of Stu Paxton as vice president, operations, for the MHC division. Stu Paxton was named to lead the MHC division because of his broad-based experience in both operations and finance, and his human relations skills. He will also retain his other network responsibilities in the consumables areas. Jonathan Brenn will report to Lou Liebhaber in a role assisting with the transition. Another significant change is the creation of the new function of business development. Ron Macaulay, now vice president of finance at MHC, will be senior vice president of business development for LVHN. Vince Tallarico, now vice president of business development and physician services at MHC, will be vice president of planning for LVHN. Charlie Fenstermaker, now assistant vice president of operations at MHC, will be vice president of sales and marketing for the health network laboratories. Bill Mason, president and CEO of MHC, will continue as senior transition consultant after the merger is finalized.

■ Rumor Control -- Call 402-CARE

Rumor: Not all LVH department heads were invited to the joint MHC\LVH department head get-together at the Hilton on Thursday.

Fact: That's true. There are many more department heads at LVH than at MHC. To respect our differences, it was decided to invite about one-third of the LVH managers to this first get-together. There will be other opportunities to socialize and learn about each other's organization.

■ A Message from Elliot Sussman and Bill Mason

When MHC and LVH first entered into merger discussions, it was with the understanding that the strengths of both organizations would be preserved. Based on our shared history of working closely together over the prior three years and on the trust and mutual respect that developed between us, we had every confidence in the outcome. The proposed management team is the first result, allowing us to capitalize on the wealth of talent in both our organizations. We developed this structure together and we support it fully. It puts the right people in the right roles to lead our new organization into the future.

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■ A Line or Two from Lou

The announcement of the proposed organizational structure to lead our merged organization after mid-November should come as welcome news. For individuals named to new roles, there is the challenge of new responsibilities. For those charged with planning and ultimately operationalizing the merger, it brings our efforts into sharper focus. There will always be those who are quick to point out the downside of this development. It foreshadows change, and change is difficult for many people. It raises many questions: Whom will I report to? Who will my peers be? What is my role, my job? Some may not be happy with the answers and will choose to leave, creating a sense of loss among those who stay. But we will weather that and come out strong if we keep in mind our goal: to create a more effective and efficient organization that can do an even better job of caring for people -- our patients, our communities, ourselves -- than either one of us could have done alone.

Lou Liebhaber
Chair, Merger Transition Team
Chief Operating Officer, LVH

October 28, 1997

MERGER UPDATE

Lehigh Valley Hospital • Muhlenberg Hospital Center

■ What's Up?

Subgroups of the merger transition team are beginning to look in greater detail at the issues that will need to be addressed as we move closer to a final merger in mid-November.

Human resources: This group is developing guiding principles and procedures for integrating departments when the merger is finalized. The group is comprised of MaryKay Gooch, Sue Reinke and Keith Strawn of LVH, and Jonathan Brenn, Jeanne Hoover and Chuck Eggen of MHC.

Finance: This group's initial activities will include a review of the organizational and financial structure, and financial functions and systems; and identifying priority integration projects. Its members are Ron Macaulay, Jeff Fuehrer and Frank Budzilowicz of MHC, and Vaughn Gower, Jim Dunleavy, Jim Rotherham, Chuck Nace and Ed O'Dea of LVH.

Operations: This group is comprised of Mary Kinneman, Stu Paxton, Jim Burke and John Hart of LVH, and Jonathan Brenn, Charlie Fenstermaker, Terry Capuano and Vince Tallarico of MHC. The group has defined a process to inventory each department, including scope of services, resources, revenues and expenses, utilization trends and strategic initiatives. Opportunities for improvements in quality, costs, and operational efficiency and effectiveness will guide recommendations for integrating services.

Cultural integration: This group is seeking to define essential characteristics of our two organizations, specifically how we work, how we relate to each other and the importance we place on those relationships. Members of this group include Melissa Wright, Dave Dylewski and Jonathan Brenn of MHC, and Mary Alice Czerwonka, MaryKay Gooch, Diane Carpenter and Linda Durishin of LVH. The first event, designed to bridge any gaps in understanding between LVH and MHC, is an informal gathering for a group of department managers on Nov. 6. Because of the difference in our size, there will be more LVH attendees, and yet not all LVH managers could be invited. Other opportunities for interaction will be schedule soon, to allow expanded participation.

■ Rumor Control -- Call 402-CARE

Rumor: Once we merge and create one very large organization, our salaries will be adjusted to compare to similar sized hospitals.

Fact: An independent consulting firm is currently comparing salaries and benefits for policy differences, and to determine the costs and other implications of adopting common practices. Decisions on salaries and benefits are prohibited by anti-trust law before the merger is finalized. After the analysis is completed and decisions are made, implementation will take some time, but it will be given high priority.

Rumor: Jim Burke (vice president, operations, LVH) is moving to MHC.

Fact: There have been no decisions made regarding the makeup or location of members of the senior management team of the merged organization. The proposed post-merger senior management group and associated reporting relationships are

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being discussed and will be announced Nov. 15 by the senior oversight group comprised of Bill Mason, Ron Macaulay and Gavin Barr, M.D., from MHC, and Elliot Sussman, M.D., Robert Laskowski, M.D., and Lou Liebhaber from LVH.
Rumor: Once the merger is finalized, MHC employees will be able to have direct deposit as LVH employees do now.
Fact: This will be evaluated as a part of the merger of the payroll function. The software application will be considered in the integration plan that is being formulated.
Rumor: Some people may not have a job when this is all over.
Fact: That's possible, but at this point, it is difficult to predict. First, a process for integrating departments when the merger is finalized is being developed, as well as a way to prioritize which departments will be integrated first. That process development will include opportunities for input and involvement of staff. As soon as the process is finalized, it will be communicated. The process will include a step for identifying staffing needs based on patient volume and patient requirements, which have always been the determining factors. All decisions regarding personnel will be guided by the key principles of individual respect, fairness, equity and integrity, in the best interests of quality patient care. If staff are displaced, considerable effort and resources will be devoted to finding jobs within our expanding health network, and to retraining people if possible.
Rumor: Spouses who work together in the same department at MHC will not be allowed to do so once the merger is finalized, consistent with LVH policy.
Fact: All policies are being evaluated and decisions will be made in order of priority after the merger is finalized. LVH policy, though, does **not** prohibit spouses working together in the same department. It states that management cannot hire or directly supervise relatives -- parents, siblings, spouses, grandparents or children.

■ A Line or 2 from Lou

Ask any member of the merger transition team and he or she will tell you how important we all view the discovery that our two organizations are alike in far more respects than we are different, in ways that matter most. Friendliness, dedicated staff, genuine concern for people, tradition, values. These are the characteristics that are remarkable in their similarity at MHC and LVH. Technology, appearance, work methods, size -- therein lie our differences. When I'm asked to define the critical success factors for this merger, I know where I place my bets. People pulling together, believing it can and must work, will make this merger a reality, and reduce the issue of relative facility size to insignificance.

Lou Liebhaber
Chief Operating Officer, LVH
Chair, Merger Transition Team

October 22, 1997

MERGER UPDATE

Lehigh Valley Hospital • Muhlenberg Hospital Center

■ What's Up?

The merger transition team continues to meet every Monday and in subgroups throughout the week, discussing processes to get at decisions once the merger is finalized. Those discussions have centered on procedures for integration from many perspectives -- human resources, finance, operations, communication, to name a few. Again, at this stage, no decisions have been made.

On Nov. 6, department directors from both MHC and LVH will gather informally at the Allentown Hilton to meet and hear from the leaders at both institutions, and do some brainstorming on bringing MHC and LVH employees closer together. And watch for more details on a Feb. 6 dinner-dance planned by a group of your co-workers from both organizations!

■ Rumor Control -- Call 402-CARE

Rumor: If the merger goes through, LVH will probably change its name again.

Fact: There are no plans for LVH to change its name. It was also a feature of the affiliation agreement that MHC would keep the name Muhlenberg Hospital Center.

Rumor: MHC will become a Level II trauma center.

Fact: Not true. MHC will continue to operate a full-service emergency department. The region's only Level I Trauma Center, located at LVH, has the capabilities, expertise and capacity to treat the most serious traumatic injuries and achieve the best outcomes. A second trauma center is unnecessary, duplicative and costly.

Rumor: Some people think LVH bought MHC.

Fact: No dollars changed hands. Lehigh Valley Health Network pledges to spend a minimum of $20 million over the next five years -- after the merger is finalized -- to be invested by Muhlenberg in new capital and program-related expenditures at the Muhlenberg campus. A portion of those funds already resides in the MHC Foundation.

Rumor: The MHC management reorganization six months ago was in preparation for the merger.

Fact: Not true. That reorganization of middle management positions was in anticipation of reductions in payments from managed care plans and the subsequent need to reduce costs, and to provide a more efficient structure.

Rumor: We need near-term objectives we can focus on, to know we're doing a good job.

Fact: That's true, and the best focus of our attention is to remember our promise to our community, that quality patient care will continue uninterrupted throughout the transition. As that transition continues and various guidelines and parameters for the merger are developed, staff will be fully involved in both the planning and the processes of integration. Again, however, it's important to remember that no decisions will be made until after the merger is finalized.

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Rumor: The transitional skilled unit (TSU) at 17th and Chew will be moving to Cedar Crest for cost reasons, and so ambulance transport would not be necessary.

Fact: There are no plans to move the TSU to Cedar Crest.

Rumor: MHC employees with Blue Cross/Blue Shield will have to change insurance after the merger.

Fact: Benefits and salaries are being analyzed and compared by an independent consulting firm, for us to share and review and use to make decisions after the merger is finalized. Priority will be given to benefits decisions identified as most important by employees of both LVH and MHC.

Rumor: When patient centered care was implemented at LVH, people had to reapply for their positions. That way, LVH was able to replace all its higher-paid employees.

Fact: That's not why the positions were posted. Positions were posted and applications were accepted and reviewed to ensure that the best qualified people got the job. In most cases, the best qualified were also the more senior employees. However, there were instances when a less senior individual was the best qualified.

Rumor: Allegheny has laid off 1,200 people, some say after growing too fast. We're putting ourselves at risk for layoffs, too, by merging and becoming too big.

Fact: The Allegheny Health System lost more than $69 million last year. By contrast, both LVH and MHC have healthy bottom lines, and have made conscious efforts to keep costs under control while providing high-quality health care. Both LVH and MHC are committed to working with staff in a respectful and dignified way, which would not include surprise events such as the one that occurred at Allegheny.

■ A Line or 2 from Lou

It's been an unsettled week for health care in our region, as the caller to 402-CARE above points out. A massive layoff by one of our area's health care giants decimated a work force -- 1,200 employees let go with no notice -- and raised serious concerns about the system's ability to maintain quality of care.

Our decision to merge is not to be compared to what the *Philadelphia Inquirer* called Allegheny's "high flier" strategy of buying hospitals that drove the system deeply into debt. "Paying for hospital expansion with job cuts ought to be a last resort," the editorial admonished. We couldn't agree more.

The merger of MHC and LVH is designed to strengthen both institutions' competitive viability, improve services to the community, and enhance career opportunities for our work force, not the opposite. That's not to say there won't be tough decisions to make along the way. Things will change out of marketplace necessity, in part, and not all of us will be happy with each and every change. But we have confidence that as a way to ride the crest of health reform, this merger is our best assurance that the ripple effect of cost pressures doesn't swell into a riptide.

Lou Liebhaber
Chief Operating Officer, LVH
Chair, Merger Transition Team

Question: What benefits questions would you like the human resources group to consider first, and resolve as soon as possible after the merger is finalized?

Please share your answer with your supervisor or call 402-CARE.