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Out of bankruptcy: Now a mandatory season of renewal

Tom Gallagher | Aug. 4, 2009

(Pat Marrin)

The season of bankruptcies -- think GM, AIG, Chrysler -- is upon us. And the health care industry is not exempt.

For Catholic hospitals in New York City, bankruptcy arrived in 2005 when the flagship St. Vincent Catholic Medical Centers took the dramatic step. It could have been worse: All the other church-affiliated, acute care hospitals in the city bypassed bankruptcy and headed straight to closure. In 2007 there were eight Catholic acute care hospitals and by the end of 2008 only St. Vincent?s survived.

Post-bankruptcy, can a major Catholic acute care hospital system merge mission and margin into a meaningful, sustainable enterprise?

St. Vincent?s new CEO, Henry Amoroso, his senior management team, and the system?s board of directors are committed to making it happen, though they are quick to acknowledge the potential pitfalls of national health care reform, the challenges posed by internal reform, as well as the entrepreneurial instinct necessary to take advantage of opportunities.

The leadership team keeps a close eye on Washington.

?While St. Vincent?s is committed to the goal of increasing the coverage for the uninsured, I am concerned about what I hear about changes in [Medicare and Medicaid] reimbursement ... that may harm our ability to continue to serve the many populations that depend on our services,? said Amoroso. Amoroso has his wish list for Washington lawmakers.

?Our objective should be to maximize insurance for the uninsured, minimize damaging cuts to Medicare and Medicaid, and seek ways to drive down expenses that increase the cost of operations, including medical and malpractice reform, payer and managed care reform, and reduced expenditures for pharmaceuticals and devices,? he said.

But while Washington may be part of the solution, Amoroso and his board realize that reform begins at home.

?To re-energize the culture after many difficult years, the organization undertook a strategic planning process to develop its first-ever five-year strategic plan,? said Amoroso. This new plan attempts to link long-term strategy to yearly operating plans.

?The Strategic Alignment Roadmap or ?STAR? is a road map by which St. Vincent?s mission, vision and strategy are translated into manageable objectives,? said Amoroso.

Dr. Anthony Gagliardi, the hospital?s senior vice president and chief quality officer, highlighted two themes embedded in STAR. ?Service to the community and services that are sensitive to our Catholic identity,? he said. He quickly ticked off nutrition, HIV and geriatric services as important to the community, along with programs for couples trying to conceive, palliative care and programs for vulnerable groups as particularly consistent with the Catholic mission.

STAR resulted in an enterprise strategy map ?that deconstructs into four objectives,? according to Paul Goebel, senior vice president and chief administrative officer, whose job it is to lead the implementation of STAR. The four objectives are ?Growth and Business Development,? ?Customer Experience,? Clinical and Operational Excellence? and ?Community.?

?Within each of the four objectives are specific targets, measurements and initiatives,? said Goebel. There are approximately 120 core objectives. Some 400 hospital directors have been educated and trained in STAR. Each director is then responsible for implementing STAR in his or her department according to an individualized objective template.

In addition, there are 100 core objective teams and 100 performance advocates, employees who take responsibility for making sure a core objective is achieved.

Further, Amoroso explained, St. Vincent?s has implemented a new performance appraisal system called Leadership Evaluation and Development System or ?LEADS? in order to make management accountable for achieving STAR objectives and for demonstrating behaviors that reflect the organization?s values of respect, integrity, compassion and excellence.

Goebel stresses the need to communicate well within departments and across the system. Weekly e-newsletters and 500 printed newsletters are one way to communicate. Monthly STAR awards are handed out for exemplary performance.

Goebel keeps track of STAR using Executive Strategy Manager software as the data warehouse, while LEADS is managed with Microsoft?s Sharepoint and Excel software. He reports bimonthly to the board?s strategic planning committee on the status of STAR and LEADS. Taken together, STAR and LEADS serve as the drivers of a cultural renewal called ?Transition to a Culture of Performance.?

Meanwhile, said board chairman Alfred E. Smith IV, the board is ?focused on achieving cash flow and operating margins to sustain our mission.? And that mission includes growth, including a proposed new hospital tower, said Smith.

In light of St. Vincent?s old, inefficient facilities, the hospital must take advantage of its real estate assets to continue its health care mission. The hospital has teamed with the Rudin Organization, a major real estate developer, to assure that it can build a new hospital on the west part of its campus.

In exchange for some hospital properties, Rudin is expected to pay St. Vincent?s $310 million that hospital officials say they need to pay off current debt and help finance the estimated $830 million cost of a replacement

hospital.

A major hurdle was cleared in early July when New York?s Landmark Preservation Commission approved the plans for the new hospital and an accompanying residential complex that includes the adaptive reuse of four of the current hospital buildings.

Next up: St. Vincent?s goes before the New York City Planning Commission. Eventually, if all approvals are granted during the next two years, there will be an additional four years of construction and a new hospital tower will be completed in 2015.

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The facts of St. Vincent?s health services

St. Vincent Catholic Medical Centers is anchored by St. Vincent?s Hospital Manhattan, an academic medical center located in Greenwich Village and the only emergency room on the west side of Manhattan.

This acute care hospital and level 1 trauma center includes a behavioral health hospital in Westchester County, and continuing-care services that include two skilled nursing facilities in Brooklyn, another on Staten Island, a hospice, and a home health agency serving the metropolitan New York area. Its behavioral health services also provide supportive housing programs for people with mental illness throughout the Manhattan area.

In 2008 St. Vincent?s Hospital Manhattan had nearly 63,000 emergency department visits, saw over a million outpatient visits, and had approximately 22,000 inpatient discharges. The system includes 788 nursing home beds. There are approximately 5,400 employees.

In addition, St. Vincent?s is the designated provider of the U.S. Family Health Plan sponsored by the U.S. Department of Defense for downstate New York, all of New Jersey, and parts of Connecticut and Pennsylvania.

St. Vincent?s serves as the academic medical center of New York Medical College. The health care organization is sponsored by the Roman Catholic bishop of Brooklyn and the president of the Sisters of Charity of New York. While the services of St. Vincent?s occur mainly within the New York archdiocese, the archdiocese is not a sponsor of the system.

To learn more about St. Vincent?s, visit www.svcmc.org

-- *Tom Gallagher*

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