

Conemaugh Health System's Journey: Transforming Care through Joining Duke LifePoint

BY SCOTT A. BECKER, FACHE, CONEMAUGH HEALTH SYSTEM

Leaders at Conemaugh Health System in Johnstown, PA, faced the same challenge as many other healthcare organizations: They wanted to be able to continue providing the best quality of care while at the same time thriving in a changing healthcare environment.

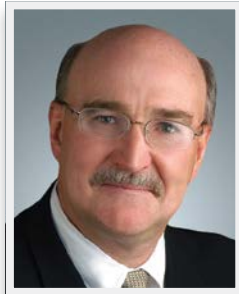
As CEO of Conemaugh Health System, I knew that healthcare was transforming, and we wanted to transform with it. But given our current capabilities and resources, it may have taken 10 years before we realized our full potential. This is why two years ago the board decided it was in the best interest of the community and the organization to expedite the process of becoming a transformative organization.

In 2013, we embarked on a journey to find an organization we could either partner with or that would acquire us. Though we were a financially sound and healthy organization, the board of directors understood that to continue to serve the community at a high level would require more than we currently offered. We needed to find a partner that could bring additional clinical and quality expertise to prepare us for population health and also provide access to capital that would give us the ability to quickly build and grow.

After a year-long search and competitive bidding process, last summer Conemaugh Health System became part of the Duke LifePoint Healthcare family of more than 60 hospital campuses across the country. Though acquired and no longer an independent, non-profit organization, Conemaugh Health remains a community-based hospital with its own advisory board of directors that is comprised of local leaders who support the same vision: *Excellence. Every Patient. Every Time.*

Key Components of a Successful Acquisition

Many hospital and health system boards are currently questioning and discussing their organization's future. They want to know how their hospital is going to



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continue to prosper in this changing environment. To get where Conemaugh Health is today, we thoroughly examined our operations and discovered that, with sluggish population growth in our service area, our only option to remain viable was through a partnership or acquisition.

Conemaugh Health has been part of Duke LifePoint for just six months, and I can say unequivocally the acquisition is remarkable

for us and the community. A key element to this successful transition was entering the purchasing process from a position of financial and operational strength. We wanted to ensure we continued to be the preeminent player in our market. In turn, Duke LifePoint didn't want to acquire a hospital; it wanted to purchase a market. This was a market acquisition in which we are working together to strengthen and improve healthcare delivery and make our communities healthier.

Another contributing factor of the successful acquisition was a disciplined and controlled bidding process, which included using an investment advisory firm that served as the board's negotiating partner. The process involved taking a reality-based approach in that we knew whoever was going to purchase us—if that were to be the case—would want a fair amount of control of Conemaugh Health. But because we were negotiating from a position of strength, we negotiated to have the best of both worlds. As a result, we maintained a good deal of independence to manage our own marketplace and have capital to invest in the hospital and the community.

Through a request for proposal (RFP), our advisors invited 30 healthcare organizations known to be interested in partnering or acquiring hospitals to submit a proposal.



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Key Board Takeaways

Many boards are preparing for population health and considering what their hospital or health system might look like in the future. As Conemaugh Health System did this, leadership knew in order to flourish its best option was through a partnership or acquisition. As your board looks to the future, it should ask:

- How can we provide the best quality of care and prosper in this changing environment?
- Will we need to partner with another organization(s) to obtain resources and expertise that are essential to our success? If so, what is our vision for that partnership?

Of those, 17 signed a bidding process confidentiality agreement, with seven submitting an initial offer. The board then reviewed each proposal and chose three finalists who submitted a final offer.

Each organization then visited Conemaugh Health as part of their due diligence, and during this time Conemaugh Health's eight-member integration team, which consisted of four board members, the CFO, two physician executives, and myself, visited each of the three finalists headquarters to conduct a reverse due diligence.

In addition, the integration team also visited a hospital that each of the finalists had recently acquired. In Duke LifePoint's case, we visited its main campus in Raleigh-Durham, NC, for the afternoon and the next morning flew to Marquette, MI, the location of one of its most recent acquisitions. There, our integration team, without Duke LifePoint representatives present, was able to ask questions of the hospital's board and senior management. Our main question was: Did Duke LifePoint live up to its promises? The answer was a resounding yes.

When the integration team returned, the three finalists had increased their proposals by 15 percent. We knew then we had generated a great deal of interest; they liked

what they saw in us. We would have been exceedingly fortunate to have chosen any of the three finalists. The board ultimately decided in March 2014 to go with Duke LifePoint, with the deal closing August 31, 2014.

Because we call ourselves a professionally managed, physician-led organization, our physician involvement was critical to the acquisition process, as their input carried a great deal of weight as to which organization we eventually chose. Their involvement was important to the ongoing success of Conemaugh Health; they felt actively engaged in the process. While Duke LifePoint had a solid reputation as an academic and teaching organization, it also brought additional competencies in operating small hospitals. Our physicians saw this firsthand during our reverse due diligence. They were excited about bringing those clinical parameters like evidence-based protocols and population health to our community.

Another key to success of the acquisition was the similar cultures at Conemaugh Health and Duke LifePoint. Staff members at both are used to being actively engaged and enjoy the transparent nature of leadership. This was an important factor in our decision to select Duke LifePoint.

As part of the acquisition terms, Conemaugh Health maintains an advisory board of directors in which a representative from Duke LifePoint is a member. The majority of the board continues to include local leaders and physicians, and the board is very much a part of physician credentialing, patient safety, and quality aspects of the organization; they in a sense serve as ombudsmen for the community to Duke LifePoint.

Because we were a non-profit, we were concerned that the switch to for-profit now meant changing how we serve the community. Some for-profits have a reputation of turning away patients; we accept all patients. There were no changes to our

charity care policy. In fact, Duke LifePoint has made our policy theirs.

Though we are now part of a larger organization, there is only one major difference now that we are a for-profit healthcare organization—we pay taxes. This is exciting and very positive for our community. Beginning January 1, 2015, the community benefits to the tune of \$3 million to \$4 million in tax revenue each year that was not available when we were a non-profit.

From recruiting physicians to investing in new technology and expanding services, being part of Duke LifePoint provides us the resources we need not only to survive in the evolving healthcare landscape but to thrive. It was a deal our board believed was well worth pursuing. ●

The Governance Institute thanks Scott A. Becker, FACHE, Chief Executive Officer of Conemaugh Health System, for contributing this article. He can be reached at sbecker@conemaugh.org.