

GOOD GOVERNANCE CASE STUDY

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Building a Culture of Accountability from Within:

The Transformation of Scripps Health



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Building a Culture of Accountability from Within:

The Transformation of Scripps Health

THE YEAR WAS 2000, AND SCRIPPS HEALTH WAS IN TROUBLE. Problems that began internally and festered over time were becoming apparent to the community. Each hospital and medical staff worked in its own silo, essentially competing against each other for system resources. Physicians no longer trusted the executive leadership. Chris Van Gorder came on as COO in December 1999. The crisis became clear when, just six short months later, the medical staffs of each of the six hospital campuses in the system voted no confidence in the CEO. The board asked Van Gorder to step in as interim CEO. His initial contract was for 90 days as the board took on a national search for a new CEO. Despite all this, Van Gorder became the clear choice as Scripps Health's permanent leader within a month.

Since 2000, when Van Gorder took on the challenge of leading this organization through its hardest days, Scripps Health has seen drastic improvements in financial performance, turnover rates, and employee morale. Over the past 14 years, the system has realized \$240 million in cost savings (and a projected \$300 million by the end of FY 2014) and increased its annual profits by over 1,200 percent.¹ This growth and strength has been achieved over a period of unparalleled uncertainty and financial strain that has proven uniquely challenging for the nation's hospitals and health systems, and today Scripps Health is in an exceptional position to tackle its next phase: to manage population health and deliver value-based care.



This case study focuses on key decisions made by Chris Van Gorder and his team that enabled this dramatic turnaround—decisions that, put together, created an entirely new organizational culture and resulted in a world-renowned health system that has received countless awards and accolades for its quality of care and stellar leadership:

- Creating the Physician Leadership Cabinet to engage and align physicians from an independent medical staff

¹ Great Place to Work® Institute, *Transforming into a Great Workplace: A Case Study of Scripps Health*, 2011.

- Building a strong CEO/CMO partnership built on the utmost trust and respect, while recognizing the importance of this relationship to the entire system
- Developing the Scripps Leadership Academy to change the organization's culture starting with middle managers
- Constructing a horizontal management structure to break down silos and reduce variation across the system
- Establishing a physician co-management leadership model to move the system forward into the next era of clinical care delivery transformation and innovation

The concluding section outlines key implications and leadership tactics related to these decisions that could be applied in various ways at other hospitals and health systems.

Organization Profile

Scripps Health is a private, non-profit health system in San Diego, CA, that includes four hospitals on five campuses, dozens of outpatient clinics, thousands of affiliated physicians, home health, and hospice care. A leader in the prevention, diagnosis, and treatment of disease, Scripps Health is a \$2.6 billion organization that is ranked among the top 15 health systems in the nation (and top five large systems) and treats a half-million patients annually.

The organization encompasses:

- Four hospitals on five campuses: Scripps Green Hospital, Scripps Memorial Hospital La Jolla, Scripps Memorial Hospital Encinitas, and Scripps Mercy Hospital, with campuses in San Diego and Chula Vista
- More than 2,600 affiliated physicians and 13,000 employees
- Scripps Clinic and Scripps Coastal Medical Center, a network of integrated facilities with specialists from more than 60 medical and surgical specialties at more than 25 outpatient centers and clinics
- Home healthcare
- Hospice care
- A wide range of health education classes and support services

Founded in 1924 by philanthropist Ellen Browning Scripps in the community of La Jolla, the health system now extends across the entire San Diego County region. On the forefront of genomic medicine and wireless health technology, Scripps is dedicated to improving community health while advancing medicine through clinical research and graduate medical education, and is consistently recognized for providing high-quality healthcare.

A Series of Events

Prior to coming to Scripps, Van Gorder was executive vice president of Memorial Health Services and CEO of its flagship hospital, Long Beach Memorial Medical Center in Long Beach, CA. The CEO of Scripps at the time, a physician-turned-consultant, had consulted on a cancer plan at Long Beach Memorial a few years before, and when he was looking for a new COO for Scripps,

a mutual friend recommended Van Gorder. Van Gorder saw the opportunity for career growth and felt that San Diego would be a good place to move his family. In addition, he had read the Scripps strategic plan and was quite interested in its potential.

The current Scripps CEO was also relatively new to the post, and was attempting to implement this new strategy he had created, known as Project Scripps. His vision itself was sound—to partner with the physicians to become a “virtually” integrated health-care network. Central to this strategy was to be able to organize the independent physicians in a way to allow collaboration with administration. Since California prohibits direct employment of physicians, they created a physician group that could function as a partner with the hospitals in the system. Dr. Brent Eastman, a prominent trauma surgeon at Scripps for many years, was asked to lead the new physician group, Scripps Physicians.²

However, problems began to surface when the CEO began selecting physician leaders to create “Systems of Excellence” (SOEs) as part of the Project Scripps strategy. Each SOE was a triad of leadership: physician, nurse, and administrator, and there was one SOE for each clinical field.³ Dr. Martin Griglak, current chair of the Department of Emergency Medicine at Scripps Memorial Hospital La Jolla, was the chief of staff elect in early 2000 when Project Scripps was being attempted. He described how the problems arose with the SOEs: they “were led by some key physician leaders, but they were paid, and it seemed to be that they were quickly assimilating into corporate and they didn’t truly represent the doctors at this point. So, it was clearly a top-down, ‘this is the way we’re going to do it.’ So, they already had a plan. They didn’t ask [the physicians] what they think should be the plan, and they didn’t ask us too much about how we should go about this...and it was intimidating. Ultimately there was a feeling of ‘you’d better go along or you’re going to be left behind.’ And that’s a fairly ominous atmosphere to create.”

Dr. Eastman reflected, “The part of it that I saw was very, very difficult for me because I saw physician colleagues of mine for



2 Sarita Eastman, *Good Company: The Story of Scripps Health and Its People*, Scripps Health, 2012.

3 *Ibid.*

20 years angry, feeling that Scripps was not understanding what they needed—was not involving them. And [the physicians] didn’t agree with what was happening. But the marketplace was not ready for the concept of doctors coming together and contracting together in groups. Physicians, philosophically, were not ready. We had no control of costs and not very many knew it at that time...and that was the essence of that plan to try to bring physicians together to have the power of collaboration between the administration and physicians.”

June Komar, Corporate Executive Vice President for Strategy and Administration, who had been in a strategic planning position at Scripps Mercy Hospital at the time, recalled, “Scripps has an extremely proud legacy of being not just the high-quality provider of care in San Diego County, but also certainly a financially very strong organization. And...we were at a time when there was a huge disaffection and dissatisfaction by the physicians and it played itself out in very poor financial performance.”

Snapshot of a Struggling System in 2000

Financial

- Operating loss of over \$20 million
- 55 days cash on hand; insufficient to meet bond covenant requirements
- Exposure to capitation
- State-mandated \$600 million expense for earthquake retrofits
- Escalating medical technology costs

Branding & Competition

- Losing market share
- Scripps Clinic physicians practice going bankrupt

Workforce

- 17–20 percent average turnover; 30 percent turnover in first year
- Labor shortage leading to:
 - » Exorbitant premium labor costs to meet state-mandated nurse-to-patient ratios
 - » Risk of clinic closure if unable to meet mandated 24-hour staffing ratios
- HR not performing; inconsistent practices, competition between sites
- Low employee trust in leadership

It was in this declining environment that Van Gorder came on as COO in December 1999. To complicate matters, the CEO had brought in a former executive from a major insurance company to help manage physician contracts. The payer contracts for the following year (which were to begin in January) had been cancelled as part of a corporate strategy to increase leverage with payers.

“The doctors were getting nervous,” Van Gorder said. “They didn’t know if they were going to have contracts or not. And this [insurance] executive had met with the doctors and assured them

that the contracts were in place. Now what he meant, apparently—and we learned this after the fact—is that term sheets had been agreed to and it was not uncommon to negotiate the key elements of a contract and then have it start and actually have some of the details worked out [later], even when the contract was enforced. And so in his mind he was being truthful to the medical staff.”

Van Gorder described his first day on the job as COO:

“I got up in front of the medical staff at Scripps Memorial Hospital La Jolla and said I was excited to be at Scripps, which had such a cutting-edge strategy that was called Project Scripps. I didn’t learn until after the fact that they actually weren’t very supportive of the strategic plan, but I think they realized it was my first day on the job.

“Well, a side meeting was taking place [simultaneously in a nearby room] with this [insurance] executive and the chief of staff of the hospital...as I was told, as the conversation in there took place, the medical staff had actually called the insurance companies to verify the statements made by this executive earlier. And the insurance companies...said there were no signed contracts. The medical staff physicians actually thought they had been lied to. So the chief of staff, a retired Army General, said [to the insurance executive], ‘You’re dismissed.’

“Well, that just infuriated this [insurance] executive. He was a very high-powered lawyer, he had been the CEO of a national company, and here he was being dismissed by this physician. Well, at the same time that was taking place I was introducing myself to the medical staff.

“And out came the chief of staff and this [insurance] executive, and the chief of staff said, ‘Well, [the insurance executive] is back here to explain where we are with the contracts and I’ll turn it over to him.’ And [the insurance executive] said, ‘You know, I was going to talk about the contracts, but I am not now because I am going to quit my job right now so I can sue for slander and libel,’ and out he walked.

“One of the doctors turned around and looked at me and said, ‘Well, you’re on.’”

Votes of No Confidence

Adding to the problems was the CEO’s lack of transparency with the board about the physician dissatisfaction and financial issues. “The board at the time really wanted to support their chief executive,” said Van Gorder. “But none of this was actually being communicated to the board.... The board was a little confused as to what was going on.”

A series of events then took place resulting in the resignation of the Scripps CEO. Dr. Griglak explained, “The medical staffs at each hospital voted no confidence in the current administration and sent that along to the board. So, this became, as you can imagine, quite big news that the medical staffs were voting no confidence in the current leadership.”

Abby Weiss, a new board member at the time, reflected, “I think I had been to one board meeting when the board of directors started getting letters from the physicians around the system

[expressing a] lack of confidence in the current CEO. He had some wonderful ideas about healthcare. He was very intellectual about what should happen with healthcare, but however he wanted to implement his plans, the physicians had lost confidence in him. And the physicians were communicating directly with the board of directors, and what that told me was that there weren’t communication channels between the physicians and the administration of the organization.”

According to Frank Panarisi, chairman of the board at the time, “the dire situation really started to develop because then [the physicians] started sending all their patients to the competing hospitals. We saw our patient load going down dramatically. Our revenues were certainly way down. We were in a dire situation.”

Initially, the board resisted the medical staff’s request that the CEO step down. But once the medical staffs submitted their no confidence vote, Panarisi began holding meetings with physicians, management, and board members attempting to determine what was happening, since he wasn’t getting any information from the CEO. There were a few board members who were steadfast with their support of the CEO and they were quite persuasive with some of the other directors. Komar described her perspective about the board’s delay to act at the time: “[The CEO was] a physician so I think it’s just that desire to let your management team do their job and, because we had been so successful for so long...it was almost unbelievable that Scripps would wind up in this situation. So, I think it was a board that wanted to give [the CEO] every opportunity to make it work and waited as long as they could before they had to...make a change.”

Martin Dickinson was chair of the Scripps foundation board during this chaos. When the board didn’t respond to the medical staff letters, the medical staffs turned to Dickinson. “Even being the chairman of the foundation I was frustrated by what I felt was a lack of support in our fundraising efforts. The public awareness was relatively high at that time—that Scripps was not really performing that well. Frustration from doctors got back to their patients, many of whom were donors. The disconnect became so damaging to the operation of Scripps Health.... So I talked to the CEO a few times asking for more [foundation] support from the system. He was always undercutting the value of the foundation and not supportive at all. I expressed some of my frustrations to the system board.” At that point the board became concerned that some major donors might back out if problems persisted.

Weiss concluded, “I think that the non-transparency really became clear. And then the risk of doctor relations and the risk to the philanthropy sources...and I think that we decided we just couldn’t go forward with the current CEO.”

A Mandate for Change

When the CEO was forced to resign, the first thing he did was to gather the senior executive team in a meeting (not privy to the board), letting them know the circumstances under which he was leaving and suggesting they do the same. Van Gorder was a part of this meeting, and he recalled his reactions: “I had been here just shy of six months, I just bought a house, I have moved my family down here; I don’t think I am going to get severance pay if I quit.”

In the middle of this meeting, Van Gorder received a phone call from Panarisi. Van Gorder continued:

“The chairman apologized but said, ‘Look, we have made a decision. We would like you to stay on as the interim CEO. Our plans are to do a national search; you would certainly be included as a candidate to be the CEO, but you’re the one person capable of running the system under the circumstances.’

“And so I went back in the room at an awkward moment, but I told [the rest of the executive team] that I had accepted the position as the interim because it was my obligation to make sure that the organization continued to function—because it was all about the patients in the end. And I made sure that the people in the room understood that if they resigned, the board chair indicated that there would not be severance pay, and I did not think it was in their best interest or the organization’s best interest to leave. And they decided to stay—and virtually all of them are still with the organization today doing a terrific job.”

In Van Gorder’s first week as interim CEO, he met with each board member individually. “I said, ‘I just have a very simple question I need to ask of you and that is: do you want me to babysit the company while you are looking for a permanent CEO or do you actually want me to make changes?’ And every single one of them said, ‘You’re the CEO so act like a CEO—do what you need to do to turn the organization around.’”

“He was exactly the kind of person that was needed,” said Komar. “Chris came into the organization doing what really smart people do, which is doing a lot of listening...you could tell he was observing and trying to understand what the norms were, what the real way of getting work done was at Scripps, so that he would be able to be effective in that environment but then also start to move toward what he knew needed to be a more unified and more integrated environment.”

“I think the mandate was to assess the crisis and do what needs to be done,” Dr. Eastman said. “And there’s an aphorism that I believe so strongly...that adversity does not create character; adversity reveals character. I think what I saw in the cauldron of adversity at that time was the character of certain people displayed—physicians with character who had the courage to

step forward and be part of a change that had to happen, and the character of Chris Van Gorder who understood there had to be change...”

Van Gorder took on a number of changes during his short interim post. There was a barrage of issues, all needing to be fixed right away, and the challenge was to determine their priority. His first action was largely symbolic: tearing up Project Scripps. “Number one, it wasn’t a plan that was endorsed by the organization through its medical staff. Clearly the board had endorsed it, but I think at that point even the board had mixed feelings about the strategic plan. I called in the senior executives and I said, ‘Look, we’re going to blow up the strategic plan, we are going to rip it up. We are not going to have a strategy.’”

Van Gorder worked with the team to develop a one-year tactical operating plan to bring in revenue and turn the financial situation around. “There is no reason for us to sit here thinking what our strategy is going to be three, five, 10 years out,” he said. “Let’s get from this year to next year.” They ultimately designed another tactical plan for the following year as well. After two years the system was making money again. “We actually then did a three-year strategic plan and now we’re in a much longer strategy. But we had to make sure that we survived before we worried too much about what the strategy was going to be.”

“I have often thought why did I get the job, and I think I was here long enough so people understood I had some capabilities and not long enough to get blamed for what had happened. Sometimes it is better to be lucky than good.”

—Chris Van Gorder

His next project was the development of the Physician Leadership Cabinet (described in more detail on the following page), which ultimately became a tool to engage the independent medical staffs to work together, both with themselves and the administrators, to create solutions to help the system move forward. This, Van Gorder hoped, would be a first step in turning around the competitive, siloed culture of the organization.

Within a month, despite bringing in a number of highly qualified candidates from across the country who were eager to live in sunny San Diego, the board knew that Van Gorder was the right person to take on the position permanently, and officially offered him the job. Panarisi remarked, “Our decision to make him permanent certainly took a lot of discussion, but not as much as you might think. Some of the concern was that he did not have CEO experience in a large organization. He certainly was seen as a good leader. You know, he was a cop and now going to be running a whole health system, and so there were concerns, but the kind of relationships he built in the short time he was here really proved that he had the integrity and the quality to be a good leader. He won the board members over in that short period of time, and he proved it. I think the doctors were very supportive of



Focusing on Financial Performance

Van Gorder hired Rich Rothberger as CFO shortly after he took the permanent CEO post. “When I got here the numbers were not clear, and it took a while for me to get my arms around what we had and what we didn’t have,” Rothberger recalled. “There were capital needs, and there were a lot of projects going on at the same time. As I dug into the financials, I found out that we really didn’t have very much to work with. We didn’t have a bond rating so there were no external metrics that we benchmarked ourselves against. And as I looked at the balance sheet, it was pretty clear that we were not in very good shape, and there had been promises to a number of people about the capital spending.

“I remember Dr. Eastman had me come out to the medical executive committee at Scripps Memorial Hospital La Jolla to talk to the medical staff about the financials. And we went through the numbers, and I said they were pretty dire, we’re losing money from operations, and we really need to embark on a turnaround. And they said to me it was the first time anybody had given them the straight scoop in terms of what the numbers really are. And I remember Marty Griglak was the chief of staff at the time, and he said, ‘Well, we have capital needs here, and what’s your plan to give La Jolla capital?’ And I said, ‘Well, there is no money for capital. We’re

going to have to go on a capital diet for a while until we can turn operations around and start to really infuse some cash back into the system and we can create capital capacity down the road.’

“And the room was kind of silent. I remember walking out with Dr. Eastman and he said, ‘Well, that was a great presentation...no one’s ever heard the truth from finance ever at Scripps, and you gave them the straight scoop. And they probably weren’t thrilled with your answer, but they were very happy that they were getting the truth for the first time.’

“Scripps Clinic was losing about \$2 million a month and the hospitals were probably break-even at the time. We had to engage the physician leadership and let them know that they really needed to work with us. We had to prioritize—there were hundreds of projects and we were bleeding cash. I went to Chris and the board and said, ‘We have to have a narrow focus. Let’s pick 10 things that we’re going to do instead of 1,000.’

“First we had to restructure to make sure we had the right people in the right positions. Second, we needed to make sure that we solidified our revenue stream, and that would be twofold: one would be taking advantage of Scripps as a system and contracting with a single person managing it, which would be me. That means all medical group contracts and all hospital

contracts would be done together and collaboratively. So we set up a contracts committee to engage the users and so they knew what we were doing. The other part was bringing in someone for revenue cycle—billing collections and follow up. When I got here that was a vacant position; we had \$850 million in revenue and no one was watching it.

“Third, we had to look at whether we were going to sell or dispose of the assets that weren’t performing. And then we clearly had no handle on productivity and basic blocking and tackling in terms of measurements and core metrics. So I said to Chris and the board, ‘If you focus on these 10 things, we have a much better shot at getting closer to break-even within the next year and turning this system around within two or three years.’

“And I had 100 percent support from Chris and the board. We went about very methodically moving through each of those top 10 initiatives, and were probably 90 percent successful from top to bottom.”

Rothberger’s efforts resulted in a reduction of days in A/R from 90 to 60 over an 18-month period. Instead of losing \$10 million per year, the system began making \$100 million a year. In 2005, the system received its first bond rating of BBB+ and today enjoys a strong AA- rating.

him in that short time. He was thrilled, and we were thrilled, and I think some tears were shed....”

Partnering with Physicians: The Physician Leadership Cabinet and the Right CMO

In Van Gorder’s first month as CEO, he recognized that the system needed to work differently with its physicians and quickly change the nature of this toxic relationship. In his previous hospital roles he had seen physicians mostly working against the board, but once they became board members and were privy to the level of financial and strategy information, those physician board members would be on the same page as the rest of the board. “Physicians wanted to take on administration because they didn’t understand why decisions were being made,” Van Gorder explained. “So I have always believed that there really should be no adversarial relationship between administrators and doctors—that we both want the same thing. So the key was finding a mechanism to fill the gap of information.”

Van Gorder wanted to go beyond having a few physicians on the board. So instead, his idea was to create a council of physician leaders (named the Physician Leadership Cabinet or PLC) that

would have informal but significant power to make recommendations to senior management and the board about strategy and medical staff-related issues. It was made up of the chiefs of staff and vice-chiefs from every hospital (the same people who had led the votes of no confidence in his predecessor), each hospital chief executive and one chief nurse. The logic behind it was that Van Gorder, the CMO, board members, and other senior executives would provide the PLC with as much information as they sought, to essentially “fill the gap of information,” and engage the physicians to help in developing solutions. This was distinctly different from the concept of having physician board members, because these physician leaders were not seen as board members or part of administration—they were seen as representing the interests of the medical staffs. But the collaborative nature of the PLC meetings resulted in something very different and beneficial for both physicians and the system.

During the initial formation of the PLC, Van Gorder was still interim CEO. In early meetings, the doctors were asking him for formal power. Van Gorder recalled, “I said, ‘Let’s start by being transparent and honest. I actually have no authority to take power away from the board of trustees. They run this organization and

they delegate the day-to-day running of the company to me. I am willing to share it with you, but even I am not going to abdicate my role and responsibility and just give it to you. That would be the wrong thing to do.' But I said, 'What formal power did you have to get rid of the last CEO? None. He's not here anymore, right? That is called informal power and your informal power is much more powerful than any formal power I could ever give you.'"

It was with that backdrop of honesty and transparency that the PLC had the opportunity to prove its effectiveness. In Van Gorder's words:

"One of the doctors said, 'Fine, if we have all of this power, we think we need \$4 million more for the physicians to take emergency room call.' And I was sitting right next to Brent Eastman because he and I co-chaired this group, and we looked at each other. I said to the group, 'It's pretty easy for somebody sitting on the outside that doesn't understand the dynamics going on in the organization to say I want, I want, I want. I see that a lot in healthcare where people just don't understand that you can't spend the same dollar twice. And in our case we have a very weak balance sheet...we are losing money as an organization. And I honestly don't have \$4 million dollars to give you and still give the nurses a raise this year, and they need a raise.'

"But I said, 'If you decide you are not going to take emergency room call, I have to close down emergency rooms and that is the front door to our hospitals. So I will tell you what we are going to do, you guys vote and if you want \$4 million dollars, I'll give you the \$4 million dollars. But I am going to tell the nurses this year that I can't give them a raise and the reason that I can't give them a raise is because you wanted all the money.'

"And one of the docs said, 'Wait a minute, you can't do that.' And I said, 'Sure I can, it's the truth. I can't spend the money twice; it looks like I am going to have to give it to you and I'll just have to explain why I can't give the nurses a raise this year.' And they said, 'Well, maybe we should study it.' And I smiled and I said, 'That's a really good idea, why don't we look at this together.'"

Dr. Griglak chaired a sub-group of PLC physicians, along with John Armstrong, vice president of finance, to look at the budget needs and come up with a potential solution. Three months later, the group came back with the conclusion that the physicians could handle emergency call with \$2 million, and that the other \$2 million should go to nurses' raises. The demeanor of the PLC had also changed dramatically, "to a sense of being constructive and helpful and wanting to understand and know," Van Gorder

said. "There's never been a request for formal power ever since. That was 14 years ago. It was a powerful moment."

The chiefs of staff change every two years so the PLC naturally has a lot of turnover. And in its entire existence, the board has accepted every one of the group's recommendations. Van Gorder today considers it to be one of the most influential groups at Scripps, second only to the board.

What It Means to Be a Partner

Related to the creation of the PLC, another important decision made at the same time was Van Gorder's selection of his CMO. "I think he knew very well even at that time what needed to be done," Dr. Eastman said. "He asked me to be chief medical officer. I didn't know what that meant, but I said yes."⁴ Dr. Eastman would not have been chosen for this role if the physicians were doing the choosing, however. Since he was appointed by the prior CEO to lead Scripps Physicians, his reputation had become tarnished. But Van Gorder was looking for a partner in the true sense of the word, and he saw that partnership in Dr. Eastman. "There was something special about Brent. He had done what he believed he needed to do to support the corporate leadership, and he thought it was in the best interest of the doctors.... But maybe it was that gap of information—that the medical staffs didn't understand the role he played, and I understood. This is a good doctor and yet the medical staffs wanted him fired," Van Gorder said. "I remember saying, 'I think you're a really good talent, you got trapped into the decisions that were being made at the time.'" Van Gorder advised that Dr. Eastman keep a "low profile" for a few months and expected the animosity to blow over. And indeed, it did.

"My job became much more doable as time went on," said Dr. Eastman. "I was really the liaison to the thousands of doctors in the Scripps system. And Chris recognized that there were situations where you did have to have a doctor talking to doctors.... That's the key. I think Chris and I recognized that this wasn't about the physicians and it wasn't about the administration; it was about the patient."

Being a partner was something Van Gorder didn't take lightly—before his healthcare career he was a police officer in Los Angeles County, a job in which your life depends on the trust and capabilities of your partner. After suffering a traumatic injury on the job, his long recovery and resulting state relegated him to a desk officer position, so he looked elsewhere for a career path. "One of the greatest compliments I have ever had is that he considers me his partner," Dr. Eastman said. "Because that term is used in surgery as well, so a surgical partner—you're not being shot at, but you are in the operating room where you are depending on somebody to work with you and save a patient's life, particularly in trauma."

4 Dr. Eastman retired in 2012, and Scripps physicians are now being led by CMO James LaBelle, M.D.

“I think that’s why Chris Van Gorder and I were partners. I would see his intelligence. I would see his commitment to action. Never can I think of a single instance where I saw Chris make a decision that I wouldn’t have considered the high road and in the best interest of the patient.”

—*Brent Eastman, M.D.*

Innovate through a Culture of Accountability: Change from the Middle

An organization’s culture is an intangible facet that can create or collapse its success, and while it must be built by every person in the organization, it cannot happen without top leadership paving the way. It was clear from the beginning that Scripps did not have the right culture, and that needed to change. Once Van Gorder had turned around the relationship with physicians, he knew that the system’s culture wouldn’t change simply through the physicians alone. It was time to find a way to reach every level of the system, and his solution was to engage the middle managers via the Scripps Leadership Academy. “I can’t run an organization that spends most of its time competing against itself,” he remarked. “There is no way I can come into an organization and write a memo and change the culture. And I have often believed that the frontline employee has a very difficult time changing culture. So how was I going to change it? Well, part of it started with transparency of information. But what struck me along the way is that maybe the key to this is the middle management. People tend to leave organizations not because they hate the organization, but because they have bad management. And so their frontline manager is a critical person to an organization. And so I said, ‘Let me pull the bosses in.’ The meeting room that I had could sit about 25 people and I thought I could connect with about 25 people at a time. So I created what we call the Scripps Leadership Academy.

“What I wanted to do was create an environment where we could be transparent, where we tell people really what was going on in the organization. Where we could put people from different campuses and different parts of the organizations together to learn from each other. It was probably, in retrospect, a desire to put an environment, a mechanism together to build trust between senior leadership and the middle management.”

The Academy meets once a month for one year. Participants are encouraged to ask questions about any topic—nothing is “off the table.” Todd Hoff, Corporate Vice President of Operations, Ancillary Services, was part of the Academy’s class of 2012. “The number one thing that organizations need to do is invest back in their human capital and develop their leadership team. And this was so innovative for a CEO to stop, take the time out to be a teacher, to teach these core people in the organization that had been hand-tapped to participate with him for a yearlong academy.... I knew my Mercy team really well, I knew some of the corporate people, but here was an opportunity for me to spend a year with people throughout the organization, so this fraternal network allowed me to speed up the work that I was doing.”

The culture being taught and developed through the Academy was centered on a three-legged stool: responsibility, authority, and accountability. Hoff explained, “The three-legged stool at Scripps is classic. It’s the discipline in the organization that’s held by our executive leadership and it trickles down. You know we all are here to do what I call this purposeful work. Chris provides us those tools to do that. But at the end of the day we have to perform. We have this fiduciary responsibility to our community, to our organization, and to the patients that we care for. And I think that all translates into Chris’s mantra that, as he’s educating and teaching us and inspiring us to do more, at the end of the day we do have to do more with the workforce that we have.”

Tim Collins, Corporate Vice President of Operations, Support Services and another Academy graduate (class of 2008), reinforced Hoff’s experience: “It’s a team of change agents. And it’s really Chris’s leadership team, if you will, to support the organizational changes. The thing that I took away from the Leadership Academy was there are so many people here who have your back on changes. You just need to tap into them...we will do anything for one another as one Scripps, and this is something that is going to stick for years.”

“My 911 call at Scripps is my Leadership Academy. I know that if I have to lead a charge, I am going to call on those folks...and I have no doubt they are going to be there. They will make this organization successful. They own it as much or more than I do.”

—*Chris Van Gorder*

Valuing Employees: The Ultimate Job Security

Another philosophy Van Gorder applied during his tenure was the idea that human capital is the organization’s most valuable asset. This was closely tied to the ideology behind the Academy and also an essential building block in the new culture of accountability. He instated a “philosophy” of no layoffs. “I believe to this day that a layoff is a management failure. It means that we didn’t do things proactively enough, early enough, to mitigate the negative impact on the people that we hire,” Van Gorder said. This policy required being “extra picky” when hiring in the first place, taking a more critical look at the hiring needs of the organization. Then, as the system changed, rather than letting people go, Van Gorder and his team would create new positions based on an individual’s skills that might fit better in a different part of the system or a different role. Lisa Thakur, Corporate Vice President for Clinical and Support Operations, remarked, “We may end up with other positions, we may end up in positions we never thought we would have. We may have to work in different sites, in different roles and different jobs. But knowing that you at least have a job is really important, as long as you are performing.” The result has been an incredibly flexible, nimble organization of people willing to learn new skills and change along with the organization.

“What I see as a lesson learned from Scripps is trust—start with trust. Start with confidence in the individual and step out. Don’t always think that you have the right answer, start with the fact that the answer is somewhere out there and your job is to find out the best answer.”

—*Tim Collins*

Breaking Down Silos: Horizontal Management Structure

Scripps began turning around financially almost immediately after Van Gorder became CEO. However, as the years passed, the hospitals were still largely operating in their own silos. An internal analysis in March 2010 showed that Scripps was losing \$150 million a year on Medicare patients. There was variation in quality and processes, as well as variations in staffing. When patient census was up in one hospital, they brought in expensive traveling nurses to fill staffing needs, while at the same time patient census might be down at another hospital and nurses were being sent home early. But the system wasn’t set up to allow nurses to travel to other campuses. “Our processes were so different from hospital to hospital. It would be dangerous to float our staff,” Van Gorder explained.

Other issues involved waste and underutilization of resources. “Not only were we operating differently in each of the silos, if you were...a hospital trying to improve your patient satisfaction and you had wait time for somebody to get an MRI, what did the hospital administrator want? Another MRI. Yet two blocks away in one of our ambulatory sites we have another MRI that is being underused. When you are operating in a vertical silo the only assets you believe you have are within that silo—you don’t even think about the system assets.”

The solution was to create a horizontal management structure in which the COOs at each hospital site were moved to the corporate level and given responsibilities for services across the system. In September 2010, Van Gorder eliminated their positions at the hospital level and gave them an offer they couldn’t refuse. Thakur, who had been the COO at Scripps La Jolla, remembered, “He called each of us...and said, ‘Okay Lisa, we have pharmacy and surgery and supply chain for you. Are you in or are you out?’ And I said, ‘Well, I guess I’m in because you are eliminating my position.’ That was a difficult time for us because we were hospital COOs, and our career ladder was to eventually become a hospital CEO, and all of a sudden we were moving into this corporate VP position that wasn’t part of our plan. And I loved my position. I loved what I was doing. I loved the people that I worked with. And so in many ways I felt like the rug got pulled out from under me.”

She continued, “And we didn’t have structure, it was very unclear what this role meant, what were the expectations. But [Van Gorder] felt so strongly that we needed to make this change, he didn’t want to spend six months or a year figuring the details out, he just wanted to move us. And I think he had enough faith and trust in us that we would work with everybody to figure it out as we went.”

The new corporate vice presidents were tasked with eliminating variation and waste across the five hospitals and 27 clinics and identifying best practices. Thakur was responsible for clinical and support operations (specifically ambulatory surgery, supply chain, and pharmacy); Collins was assigned to operations (support services and facilities); Hoff took on ancillary services (including radiation therapy, laboratory services, and imaging). There were initially four corporate vice presidents; there are six now and their roles have continued to evolve as the system’s needs have evolved.

For the initial group, taking this on required learning new skills. “I think there were a lot of questions about ‘can I pull this off?’ But knowing that we had trust from Chris, and the support of Scripps to create one new paradigm...made us a little bit more empowered and emboldened us to be able to take those challenges on,” said Collins. “It’s not perfect, it’s a continuous improvement process. We roll it out and improve over time.” Notably, Van Gorder did not figure out all of the pieces of the puzzle—he left that to the new corporate VPs, providing the idea and overall structure, and the VPs had to fill in the details.

Collins has found savings across the system by standardizing what may seem like small or insignificant things such as coffee service and elevator contracts, saving \$200,000 and \$500,000 per year, respectively.

Thakur took on Van Gorder’s approach of filling the “gap of information” with standardizing surgery equipment and supplies. “So [we were] pushing everybody to do things that they necessarily didn’t want to do. And they had been successful with what they were doing. So...there’s a lot of frustration, especially in the beginning with just trying to figure out how to get everybody working together and listening to each other and following each other’s best practices when it’s been working perfectly well for them so far.

“For surgery we needed to look at how we are staffing and what our demands are, what the needs are for surgical cases and surgical volumes. I had all of the resources that I needed to pull, to provide a significant amount of information and data and graphs and so forth to show the surgical leadership and the physicians where we were missing in our staffing compared to what the demand needs were for surgeries. And now we have been able to modify that staffing to better meet that demand.”

Thakur articulated the key to the success of this approach: “One of the most gratifying pieces has actually been working with physicians on the supply side and getting their support and working with us, rather than having vendors between us and the physicians and then we’re looking like the bad guy in the situation. So now we have physicians working with us on contract negotiations with suppliers, and the physicians are actually making those decisions on strategy and so forth, and we provide the support. So we [show them] the different pricing for a particular implant, for example. And they look at that and they say, ‘Well, why are you paying thousands of dollars more for this implant over this one because it doesn’t have a clinical difference? There’s no difference in outcome.’” The result has been the ability to exceed expectations in supply contracting as well as savings, because “the physicians are providing that push.”

In three years of horizontal management, Scripps has taken almost \$300 million out of operation costs. “By the way,” said Van Gorder, “Our operating margin right now is around \$300 million. Had we not created the horizontal structure and taken out this non-value added variation, we would be at a point where we don’t have an operating margin.”

This horizontal structure enabled the system to develop system-wide clinical care lines and ultimately led to the physician-administrator co-management model in place since 2011. Van Gorder wrote in an introduction to the Scripps 2012 annual report, *Partners in Caring*, “Working as partners, our physicians and administrators are designing our clinical care lines to improve care and reduce costs. They are identifying and eliminating unnecessary variations and defining the most effective methods of diagnosing, treating, and preventing illness among the half-million patients we care for each year.

“In addition to defining which tests, procedures, and equipment will create the best outcomes, our physicians know where costs can be reduced without sacrificing quality or efficiency. Our administrative leaders know how to manage budgets and infrastructure to best meet the physicians’ recommendations. Together, they are setting best practices that will be followed across the system to ensure that our patients receive the highest quality care individualized to their needs. It’s a powerful partnership.”

Looking Forward: Next Steps for Scripps Health

Today Scripps Health is increasingly functioning as a genuinely integrated system. It is moving into the population health arena via its ACO, ScrippsCare, which includes the physician leaders of seven Scripps-affiliated medical groups and community representatives.

The recent acquisition of Horizon Hospice and the subsequent establishment of Scripps Hospice as a result of the bankruptcy of San Diego Hospice has strengthened Scripps’ care offerings across the continuum. Additionally, Scripps is taking advantage of its unique location in San Diego, a hub of wireless technology development, to research and implement cutting-edge care technology delivered in the patient’s home in real time. It is implementing Lean and Kaizen methodologies to continue to cut waste out of the system and increase efficiency, value, and patient satisfaction.

Hoff concluded with some reflections about Van Gorder’s leadership decisions and why they have placed Scripps in such a strong position to move forward in the new healthcare environment. “We’ve repurposed many employees now, tapping them on the shoulders saying, ‘You did a great job, but that’s an old paradigm, we now need you to do this new type of work in a new environment.’ So that can be jarring, but by telling your own personal story and saying, ‘Chris tapped me on the shoulder and I had to learn a new role, but you know what? It has more purpose.’

“So you have to capture their hearts to get them to settle down when there is an uncomfortable setting and you’re asked to change what you’re doing. And we’ve been very successful using

Chris’s formula to retain our staff. That’s the part that’s been so exciting. If you look at what Chris has pulled off this is tremendous flexibility in the organization and it starts with the leadership team having that trust to be able to bend this into a different operating platform and then for us to cascade that down, even to frontline people.

“So all the tools exist in front of you. It’s how you’re going to deploy them to be successful in this new paradigm. I think most healthcare organizations are ready. They need a very simple, defined plan and a commitment at the highest level, no different than what Chris has brought to this organization to transform your organization to that next step. That’s great leadership. You need to understand what your playbook is and what those tactics need to be in this new world of accountable care and healthcare reform. Every organization is going to have other strengths and weaknesses, be that financial, be that clinical.... What are the tenets that you’re using...to transform your organization?”

Leaders as Partners: Key Takeaways for Boards, Physician Leaders, and Administrators

Van Gorder implemented some important strategies for changing the culture at Scripps Health, including engaging physician leaders and middle managers, and restructuring to remove silos and operate as an integrated system. These strategies have one principle at their core: *collaborative implementation*. Project Scripps was thought by many to have been a sound, innovative strategy, much of which is being put in place at Scripps now. But its failure was in implementation, through a top-down push mandated by the former CEO.

Instead, Van Gorder engaged and motivated leaders and staff at all levels of the organization, by doing the following:

1. **Filling the “gap of information”:** Providing transparent, comprehensive information so those involved and affected by the resulting decisions had a clear picture as to why the decisions were being made.
2. **Transferring ownership:** Those key decisions were not made by one person and enforced across the organization; Van Gorder engaged key stakeholders and transferred the ownership of the decision and solution to those stakeholders, so the end result was that the stakeholders, rather than the senior leaders, were not only making the decision but, more importantly, helping to implement the changes necessary to accomplish the new goal.
3. **Teaching and disseminating:** Leaders across the system learned the above implementation tactics from Van Gorder and were able to use them in similar ways for other important changes, resulting in a new way of doing business and a culture that everyone lives and believes in every day.
4. **Valuing human capital:** Finally, Van Gorder created an environment of trust and respect, so that the first three steps could be made possible.

Appendix A. Background Materials

Appendix A1

Memorandum (October 28, 1999):

Chris Van Gorder Appointed Chief of Health Care Operations

Scripps
4275 Campus Point Court
San Diego, CA 92121

Memorandum



DATE: October 28, 1999

TO: Scripps Management, Employees and Volunteers
Scripps Medical Staffs
Scripps Physicians Board of Directors
Scripps Health Board of Trustees
Scripps Foundation Board of Trustees/Scripps International Board/Scripps
Volunteer Support Groups

FROM: Scripps President and CEO

RE: *Chris Van Gorder Appointed Chief of Health Care Operations*

I am pleased to announce that after an extensive national search, Chris Van Gorder has been named chief of health care operations for Scripps. A senior leader with extensive operations experience, Mr. Van Gorder will be responsible for all inpatient operations in our six hospitals and two skilled nursing facilities, our growing ambulatory care network, home health care services, human resources, and materials management.

Health care operations is the tangible vehicle to accomplish our mission of caring for patients, their families and the community. In many ways this position is the "biggest" in the organization and we feel fortunate to have found in Mr. Van Gorder a leader with strong hands-on inpatient and ambulatory care experience, a passion for operational excellence, and values and operating principles that are consistent with Scripps.

The selection process for this critical position involved a steering committee, led by Dr. Brent Eastman, that identified top candidates who were then interviewed by physicians, administrators, managers, Sisters, nurses and other caregivers. The depth and complexity of Mr. Van Gorder's experience and his understanding and alignment with the role that health care operations will play in enabling Scripps to successfully implement its Enterprise Plan was particularly impressive.

Prior to joining Scripps, Mr. Van Gorder served as executive vice president of Memorial Health Services and chief executive officer of Long Beach Memorial Medical Center, a 741-bed tertiary/teaching hospital. In his role as chief executive officer he was responsible for the executive leadership of the following major services/hospitals: Memorial Hospital, Memorial Women's Hospital, Miller Children's Hospital, Memorial Rehabilitation Hospital, Memorial Heart Institute, and Memorial Medical Center Foundation. He also previously served as president and chief executive officer of Anaheim Memorial Hospital and executive vice president of Little Company of Mary Health Services. Mr. Van Gorder received his Masters of Public Administration in Health Services Administration at the University of Southern California.

Mr. Van Gorder will assume his new role at Scripps on December 6, 1999. I would like to acknowledge and thank Sister Mary Jo Anderson for her guidance and superb leadership over the past two years. During that time, Sister has successfully ensured the quality of care our patients have come to expect from us, while also leading us through tremendous transition. She has appointed outstanding administrators and assembled a strong leadership team that, together, guide the day-to-day operations of our system. Sister has graciously agreed to continue to oversee health care operations until Mr. Van Gorder joins us.

I would also like to thank all those involved in the selection process for their valuable input and for their commitment to finding a stellar chief of health care operations. Mr. Van Gorder will be a tremendous asset to our leadership team and we look forward to benefiting from his wealth of experience and his enthusiasm for operational excellence. Please join me in welcoming Chris to Scripps and San Diego.

Appendix A2

San Diego Union Tribune (May 13, 2000), "Another Scripps Hospital Rebukes CEO"

Another Scripps hospital rebukes CEO

Author(s): Tony Fong STAFF WRITER **Date:** May 13, 2000 **Section:** LOCAL

The medical staff of another **Scripps** hospital has expressed its lack of confidence in the head of the region's second-largest hospital system.

In a letter to the **Scripps** board of trustees, the medical executive committee of **Scripps** Memorial Hospital-Chula Vista listed declining staff morale, compromised patient care and deteriorating services among its reasons for a vote of no-confidence revealed this week.

Numerous physicians affiliated with **Scripps** have been struggling with Dr. Stanley J. Pappelbaum, **Scripps** Health president and CEO, over his plans to revamp the six-hospital system.

The medical executive committees of at least two other **Scripps** hospitals also have taken "votes of no confidence" in recent weeks. The committees are made up of hospital department heads and the chief of staff. They represent community physicians who have staff privileges at the hospitals but are not employees.

[] **Scripps**-Mercy Hospital in Hillcrest was first. The committee there represents 950 physicians, of which 250 use Mercy as their primary hospital.

[] Last week, **Scripps** Memorial Hospital-La Jolla took a vote of no confidence. That committee represents 730 physicians.

[] Several physicians on the staff of **Scripps** Memorial Hospital-East County, scheduled to close June 5, report a similar action at their hospital. The chief of staff, Dr. Philip M.W. Pailey, did not return telephone calls trying to check those claims. He reportedly told a television news program that a vote did not occur.

It is unknown whether the physicians at **Scripps** Memorial Hospital-Encinitas and Green Hospital of **Scripps** Clinic have similar sentiments.

After the Mercy and La Jolla votes, the **Scripps** board released a letter unanimously supporting Pappelbaum and his administration.

On Thursday, Frank Panarisi, the chairman of **Scripps** Health's board, said that had not changed.

Pappelbaum was on vacation and could not be reached for comment.

The medical executive committee at **Scripps**-Chula Vista represents 165 physicians. The committee's "no-confidence" vote was 11-0, with one abstention, according to Dr. Luis Sanchez. Dr. Carla Stayboldt, the chief of staff at the hospital, was not present for the vote. She said later that she supports some of the concerns outlined in the letter.

The goal of the vote, said Sanchez, is to get Pappelbaum and his administration replaced.

"We don't trust not only Pappelbaum, but all the people around him," Sanchez said.

Lack of resources

A "no-confidence" vote is the second-strongest action the committee could have taken, exceeded only by a vote that would have declared the **Scripps** Health administration persona non grata, meaning the hospital would ignore anything it says or does, Sanchez said.

In a letter to Panarisi, the Chula Vista physicians also criticized the **Scripps** administration for not giving the Chula Vista hospital the resources necessary to compete with Sharp Chula Vista Hospital and of renegeing on other commitments.

These include a failure to promote and market **Scripps**-Chula Vista to local residents; a failure "to design and construct a new Chula Vista Women's Center after (the) **Scripps** Health board approved funds for design years ago," and a failure to create an Oncology Center, identified as a priority several years ago.

"I think there are many services that we are not having in the hospital that we need," said Dr. Kousay Kourainy, chief of staff-elect for **Scripps**-Chula Vista. "Cardiology services -- we don't have a cardiac catheter (laboratory) and all the new interventions for patients who come to the emergency room with a heart attack."

Sanchez said some physicians are considering partnering with another health system, a step they say will inevitably hurt the community.

"What do you do when you're losing your patient base, you're compromising patient care . . . and your leader is not listening to you?" Sanchez asked.

No specifics

Robin Liszewski, a spokeswoman for **Scripps**, declined to discuss the specific concerns of the Chula Vista physicians, saying they would be addressed by a newly formed Physician Relations Committee of the **Scripps** board.

"The point that's important is that both parties are committed and focused on patient care. As we work through the different issues, we continue to focus on that," she said.

After the earlier votes, Liszewski said that with the board's support, Pappelbaum will continue to carry out his duties and implement Project **Scripps**, his vision of a new health-care delivery

system in San Diego.

The point of Project **Scripps**, Pappelbaum has said, is to restore economic health to the **Scripps** hospital system and physicians and to improve the quality of patient care.

But in trying to push Project **Scripps**, the **Scripps** Health administration has been accused of practicing predatory medicine, a complaint that became a mantra last fall amid word that **Scripps** would be terminating 120 contracts with health plans and medical groups.

While the **Scripps** administration has said the contract renegotiations were necessary to survive financially, the prevailing sentiment among physicians was that the maneuver was an effort to force them into **Scripps** Physicians, a medical group created by **Scripps** as part of Project **Scripps**.

Lower rates

That view gained momentum when physicians discovered **Scripps** was charging lower daily rates for patients of physicians affiliated with **Scripps** Physicians, leading to the suspicion that doctors who didn't join **Scripps** Physicians would be penalized with higher rates.

In a letter to Panarisi, the medical executive committee of **Scripps**-La Jolla criticized Pappelbaum and his administration for favoring **Scripps** Physicians -- "thus competing with and alienating independent physicians who have served the hospital well for years."

Also of note are claims from the hospital medical executive committees that actions by **Scripps** Health may have put patient care at risk.

"We have a mission to monitor the quality of care and the hospital in general," said Dr. David M. Roseman, the chief of staff at the La Jolla facility.

Scripps-La Jolla's letter to the board pointed to a drop in the hospital's score on the most recent survey conducted by the Joint Commission on Accreditation of Healthcare Organizations, or JCAHO. The survey considers a broad spectrum of patient-care criteria and is repeated every three years.

High marks on the surveys are generally regarded as a seal of approval within the health-care industry.

The Mercy committee's letter to Panarisi also expressed concern about patient care being jeopardized "due to diversion of resources and failure to support bedside nursing and other clinical functions." Mercy's most recent JCAHO score was lower than it was three years ago.

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Appendix A3
Memorandum (May 18, 2000): Recent Email Memo and Media Coverage

Scripps Health
4275 Campus Point Court
San Diego, CA 92121
(619) 678-7200

Memorandum



DATE: May 18, 2000
TO: Operations Management Staff
FROM: Chris Van Gorder, Chief of Health Care Operations
RE: Recent E-mail Memo and Media Coverage

By now, all of you are familiar with the recent media coverage Scripps has been receiving, as well as the e-mail recently sent by Dr. Kevin Glynn, Chief of Staff at Scripps Mercy, to all employees on the Scripps e-mail system.

Though there are many differing opinions as to what should be done to resolve these issues, we should not lose sight of the fact that over the last several months we have taken tremendous positive steps as a system. I am extremely proud of how all of us at Scripps have come together as a team to approach these challenges and I applaud all of your efforts.

As events such as these can sometimes generate questions and concerns among our employees and patients, I ask that over the next several weeks you make yourself especially accessible to your management teams, the staff who provide care at the bedside, and the employees who support those efforts.

We do not expect the media coverage of Scripps and these ongoing issues to end anytime soon. However, we rely on you, as well as our managers and supervisors, to help our employees and patients put media coverage like this into the proper context. Please encourage employees to ask questions, and then work diligently to provide answers as quickly as possible. Share information both ways. The most appropriate and effective way to address employee concerns is through face to face communication.

Attached is a list of "Questions and Answers" that may help you better convey our continued commitment to providing the highest level of patient care, our concern over JCAHO results and our efforts to resolve all of these issues. The sheet also highlights some of the action plans and steps that have recently been taken – both in response to current events and as part of our on-going performance improvement efforts.

Thank you for your continued support and for all you do each day to serve our patients. If I can help you answer any questions, please feel free to contact me via e-mail or phone.

Appendix A4
San Diego Union Tribune (June 8, 2000)
“Ex-Cop Van Gorder’s in the Hot Spot at Scripps”

Ex-cop Van Gorder's in the hot spot at Scripps

DATE: June 8, 2000

Says his goal is to work with physicians

EDITION: 1,2,7

Page: B-1

Cheryl Clark STAFF WRITER

PUBLICATION: San Diego Union-Tribune, The (CA)

SECTION: LOCAL

The man now at the helm of the strife-ridden Scripps Health system is a former **cop** who was permanently disabled 21 years ago when a distraught woman deliberately crashed into his squad car.

But what Chris **Van Gorder** is facing in his role as interim president and chief executive officer may be almost as jarring. Not only did he join Scripps just as most of its hospitals received below-average scores on recent accreditation surveys, he arrived amid a physicians' revolt against key parts of a complex plan that he must put in place to reduce costs by reorganizing health delivery.

One of his first tough jobs was to tell community leaders three months ago that Scripps was closing its sixth hospital in El Cajon because of hemorrhaging finances, despite howls of protest from citizens, employees and members of the Board of Supervisors.

Then he weathered the mass attack upon his predecessor, Dr. Stanley Pappelbaum, who announced his resignation two weeks ago, putting **Van Gorder** in the hot seat.

Now, some physician groups are revolting against **Van Gorder's** bosses, the 13-member board of directors of Scripps Health, which governs the second-largest health-care system in the county.

Many physicians say they want to give **Van Gorder** a chance. But accomplishing his goals without falling into the quicksand of his predecessor will be a tricky.

In an interview, **Van Gorder** said he's starting from scratch to heal still-bleeding wounds. And as yet, he has no answers. "Everything is up for re-evaluation," he said, echoing the goal of a recently announced "60-day plan," in which key Scripps board members are meeting with all the hospital medical staff chiefs to discuss areas of dispute.

"I realized on Day One that we were in some rough waters," he said. "But I've always prided myself on my good relationships with physicians. And I am excited about the opportunity to make a difference."

Van Gorder said that his experience in law enforcement taught him to "deal with people in crisis. I've learned how to be decisive. During times of crisis, I've always felt I'm at my best."

Dr. David Shaw, chief of staff-elect of Scripps Mercy Hospital, said physicians there "are very much looking forward to working with Chris to rebuild the quality of care that we believe the Scripps system is capable of, and we're excited about his common-sense approach."

Van Gorder, a 47-year-old Civil Air Patrol volunteer, said that despite the anti-law enforcement sentiment of the early 1970s, he decided to become a cop because he drew a high draft number and wasn't called to serve in the military during the Vietnam era.

"I always felt guilty that I didn't do my service. And since I had always been interested in law enforcement, I thought that would be a good way to serve," he said.

He joined the Monterey Park Police Department in the suburb of Los Angeles in 1976 and was enjoying his job until one fateful call: a "415" family dispute.

"It was Nov. 17, 1978 at 4:45 p.m. . . . just about the end of my watch," he recalled in a low monotone. "A lady had locked herself in her car with her child and had threatened to ram any police officer that came to the scene if her husband called the police."

She had her infant in the car seat and sped off when he and another officer arrived in separate cars, he recalled. Turning to avoid the other officer's car, she headed straight for Van Gorder. The crash left him unable to move.

After a year of recovery and treatment in and out of Orthopaedic Hospital of Los Angeles, he was told he could never go back to street duty. And since confinement to a desk job wasn't what he wanted, he decided to build a different career.

First as a patient

He started with the very same hospital.

"Since I'd been a patient on and off so long, I got to know them so well, and they got to know me," he said. He became Orthopaedic's director of safety, and eventually administrative resident.

Former colleagues on the Monterey Park Police Department remember the story well, and gave **Van Gorder** high marks for bravery as well as character. "He's very likable, and very good with people; a guy who made friends easily," said Lt. Jeff Alvarado, who was a rookie at the same time.

"He was focused on becoming a police officer since he was a little kid," said a longtime friend and former colleague, Capt. Chuck Montoya, now at the La Verne Police Department.

A few years later, **Van Gorder** earned a master's degree in health services administration at the University of Southern California, a credential that subsequently landed him top hospital administrative posts at Anaheim Memorial, Little Company of Mary in Torrance and most recently, Long Beach Memorial Medical Center, where he was chief executive officer until last November.

He was recruited by Pappelbaum to take the place of Sister Mary Jo Anderson, a nun who came into the Scripps system when Scripps Health acquired Mercy Hospital from Catholic Healthcare West nearly five years ago.

'A good fit'

Byron Schweigert, **Van Gorder's** senior vice president at Long Beach Memorial, said his former boss's style "is a good fit" for the problems facing Scripps Health.

"His outstanding achievement was the ability to interact effectively with the medical staff, with individual physicians and the various physician groups," Schweigert said.

Schweigert also praised **Van Gorder's** "openness. He's not going to try to deceive, but instead give the straight scoop. He's a good listener. That's where he shines."

Here, one of **Van Gorder's** prime missions had been a two-year effort to reorganize an electronic system to deliver key medical information dealing with hospital admissions, registration, imaging and lab systems in a way that saves time, and money, and speeds patient care.

Physicians at Scripps Mercy and Scripps Chula Vista welcome the opportunity for change, and say they are cautiously optimistic.

Van Gorder said he believes the problems can be overcome.

"What's occurring here is not unique to health care, with reimbursement levels here from federal insurance plans that are among the lowest in the nation," he said. "The stress on physicians and hospitals is so intense, there's conflict. And this is not a profession for the faint of heart."

But he is resolved to get the doctors on his side.

"As good of an administrator as I may be, I cannot admit any patient to any hospital," he said. "I need these doctors. I hope we can work together toward the same goals."

Appendix A5
Memorandum (June 12, 2000): Priorities

Scripps Health
4275 Campus Point Court
San Diego, CA 92121

Memorandum



DATE: June 12, 2000

TO: Scripps Managers and Supervisors
(Please share with all employees and volunteers)

FROM: Chris Van Gorder, President and CEO

RE: **PRIORITIES**

In light of the many events that have recently taken place, I'd like to take a moment to address our priorities as we move forward over the next few months.

Our top priority has always been and must continue to be the delivery of high quality patient care throughout all our hospitals, clinics and service centers.

- We are continuing our landmark, \$41 million investment in capital equipment, infrastructure improvement, and refurbishment of patient care and common areas.
- We are initiating mock JCAHO surveys at each facility in order to maintain the highest standard of care throughout Scripps and to ensure that Scripps is always "JCAHO ready."
- We are moving forward with our new redesign initiative – aptly named by employees as Scripps Teams Achieving Results or STAR. This employee and physician supported, grassroots effort will help us focus on our patients by streamlining our workloads, making the best use of information technology, and vastly improving our work processes. Employee design teams have already begun their work in Patient Access and Revenue and in Critical Care areas and, over the next 18-24 months, all service areas will take part in similar reviews.

Our next priority must be to open new channels of communication and to provide opportunities for all employees and physicians to have their voices heard.

- Facility-based, employee communication committees are being formed at each Scripps site to ensure the timely flow of accurate information throughout our organization.
- I will be continuing my series of in-person, "on-the-job" meetings with Scripps employees, physicians and volunteers.
- At my direction, a specific e-mail address – ASK SCRIPPS -- has been created for any questions, comments, suggestions or other input you have regarding Scripps or any of its ongoing programs or initiatives. Simply type ASK SCRIPPS into the e-mail "To" line, or use interoffice mail by sending to ASK SCRIPPS, CP112. All questions to ASK SCRIPPS will be answered within 3 workdays.

Finally, administration, physicians and employees must work together to ensure Scripps is well-prepared to handle the rapid transition in health care.

- We are aggressively moving forward with the action plan approved by the Scripps Health Board of Trustees.
- Medical staff, employees and administration are actively reviewing and discussing needed modifications to Scripps strategies.
- Meetings are being accelerated with our affiliated medical groups and IPAs to review contract relationships.
- Final steps continue to re-affiliate Scripps Clinic with Scripps Health.

It's especially important over the next few months that we each take a moment to recognize the quality of our organization and the physicians, caregivers, service providers and administrators who dedicate themselves each day to the higher purpose of providing quality medical care and service to those in need.

Scripps is a quality hospital system that employs the best of the best. Working together, we can refocus our attention onto the care and service we provide, and let that drive our future strategies.

If you have a question, concern, comment, or compliment you would like to share, please feel free to direct it to ASK SCRIPPS via e-mail or at CP112.

Appendix A6

Text of June 13 [2000] All-Staff Voicemail from Chris Van Gorder



Text of June 13 All-Staff Voicemail from Chris Van Gorder

HELLO, THIS IS CHRIS VAN GORDER CALLING.

AS THE SCRIPPS HEALTH PRESIDENT AND CEO FOR THE LAST COUPLE OF WEEKS, I WANT TO TAKE THIS OPPORTUNITY TO INTRODUCE MYSELF TO THOSE OF YOU WHO DON'T KNOW ME - AND TO TELL YOU WHAT A GREAT JOB I THINK YOU ARE DOING ON BEHALF OF OUR PATIENTS, THEIR FAMILIES AND OUR OTHER CUSTOMERS.

I CAME TO SCRIPPS SIX MONTHS AGO - AS CHIEF OF HEALTH CARE OPERATIONS - BECAUSE I BELIEVED THE PHYSICIANS, THE NURSES, THE TECHNICIANS AND THE SUPPORT STAFF HERE AT SCRIPPS WERE SOME OF THE BEST IN HEALTH CARE -- AND I CERTAINLY CONTINUE TO BELIEVE THAT TODAY.

THOUGH WE CAN CONTINUE TO EXPECT MEDIA COVERAGE THAT IS SOMETIMES POSITIVE AND SOMETIMES CRITICAL, IT SHOULD NOT DIMINISH THE PRIDE YOU HAVE IN YOUR WORK OR THE CONFIDENCE YOU HAVE IN THE QUALITY OF CARE AND SERVICE YOU PROVIDE.

WHETHER YOU'RE AT THE BEDSIDE CARING FOR OUR PATIENTS ONE-ON-ONE - OR BEHIND THE SCENES TAKING CARE OF ALL OF THOSE THINGS AND ALL THOSE PEOPLE THAT MAKE A HOSPITAL RUN - YOU ARE SCRIPPS AND THAT IS WHAT QUALITY IS ALL ABOUT.

I WANT TO ASSURE YOU THAT WE ARE MOVING FORWARD NOW, AND NOT LOOKING BACK. WE'RE WORKING CLOSELY WITH PHYSICIANS AND EMPLOYEES - WE'RE LISTENING - AND WE'RE COMMITTED TO MAKING NECESSARY CHANGES

AN E-MAIL HAS GONE OUT TO MANAGERS THAT WILL BETTER EXPLAIN SOME OF OUR PRIORITIES, AND I'M ASKING THEM TO ENSURE THAT THIS INFORMATION IS SHARED THROUGHOUT THE ORGANIZATION.

MEANWHILE, IF YOU HAVE ANY COMMENTS OR QUESTIONS ON ANYTHING HAPPENING HERE AT SCRIPPS, I WANT TO HEAR FROM YOU.

TO HELP, WE'VE ESTABLISHED A DIRECT E-MAIL ADDRESS CALLED ASK SCRIPPS. JUST TYPE ASK SCRIPPS INTO YOUR E-MAIL ADDRESS BOX AND WE'LL ANSWER YOUR QUESTION WITHIN THREE WORKING DAYS. IF YOU DON'T HAVE ACCESS TO E-MAIL, YOU CAN SEND YOUR QUESTIONS THROUGH OUR INTERNAL MAIL SERVICE, ADDRESSED TO ASK SCRIPPS - AT CAMPUS POINT, ROOM 112.

FINALLY, I WANT TO THANK YOU FOR YOUR CONTINUED SUPPORT OF SCRIPPS DURING WHAT HAVE BEEN SOME VERY DIFFICULT TIMES.

I LOOK FORWARD TO WORKING WITH ALL OF YOU.

Appendix A7
San Diego Union Tribune (July 11, 2000)
“Scripps Health Taps Van Gorder for Top Position”

Scripps Health taps Van Gorder for top position
New leader took reins after former chief resigned in May

Tony Fong STAFF WRITER

PUBLICATION: San Diego Union-Tribune, The (CA)

SECTION: BUSINESS

DATE: July 11, 2000

EDITION: 1,2,7

Page: C-2

Chris Van Gorder, who joined Scripps Health less than a year ago only to find himself in the midst of an uprising, has been named the **new leader** of the five-hospital hospital system.

The announcement was made yesterday, a little more than six weeks after Dr. Stanley J. Pappelbaum resigned as president and chief executive officer of Scripps Health after a 17-month tenure marked by physician unhappiness. Pappelbaum was the architect and chief proponent of Project Scripps, the hospital system's controversial blueprint for health-care delivery in San Diego.

Van Gorder, 47, joined Scripps Health in December as chief of health care operations after serving as executive vice president of Memorial Health Services and CEO of Long Beach Memorial Medical Center. He was named interim president and CEO at Scripps after Pappelbaum's resignation.

When he first arrived at Scripps, physician discontent over Project Scripps was only beginning to bubble to the surface. During the next few months, the unhappiness grew into a system-wide movement.

Even before yesterday's announcement, Van Gorder had won the support of many Scripps physicians to succeed Pappelbaum.

"He's very hospital-focused, which is the name of the game," said Dr. David M. Roseman, chief of staff at Scripps Memorial Hospital La Jolla.

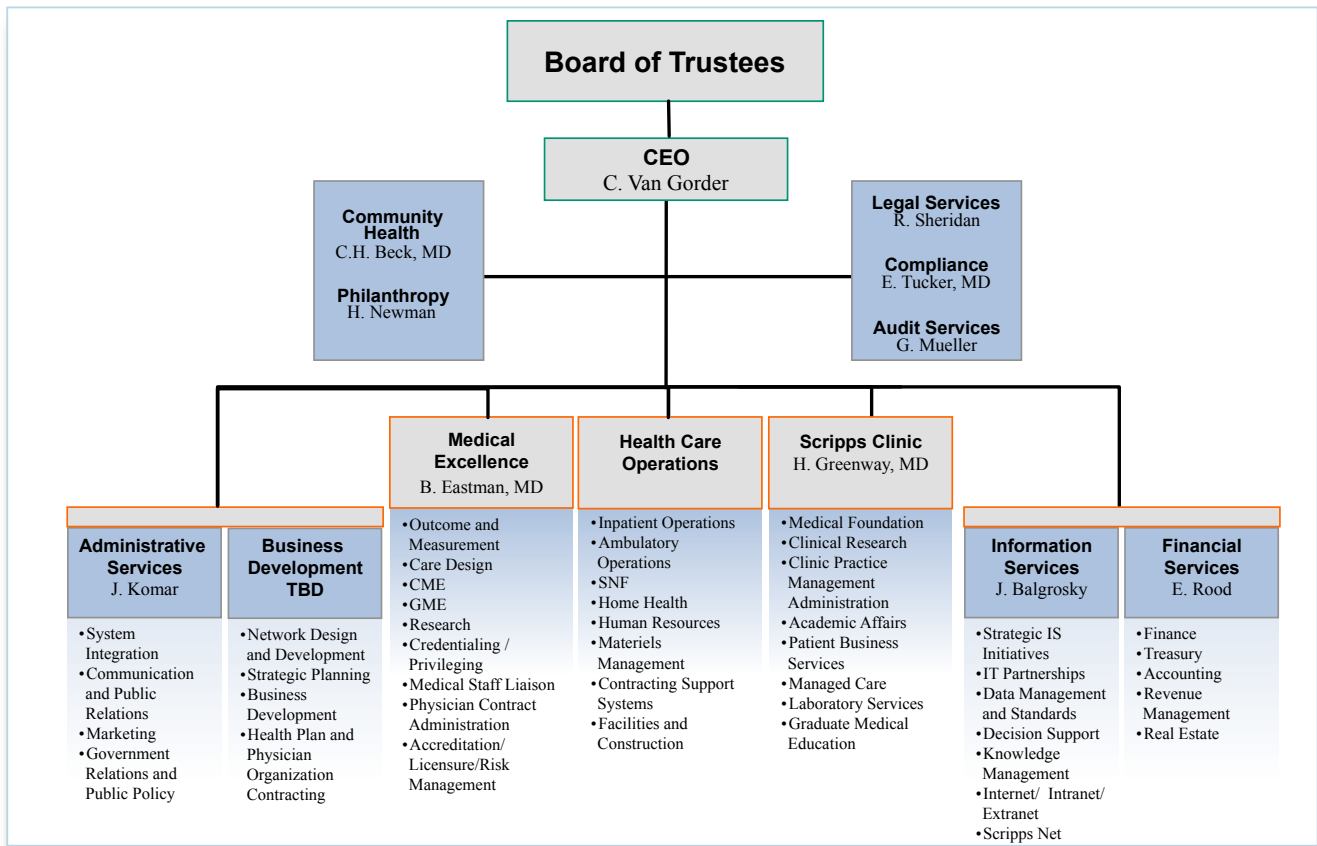
Dr. Thomas A. Waltz, the interim CEO of the Scripps Clinic Foundation, also praised the choice of Van Gorder, saying "he's got the right sense of mission and a good balance of knowledge of physician relations, economics and patient service."

Based on Van Gorder's 20-plus years experience in health care, the Scripps board of trustees decided a national search for a **new leader** was not necessary. The system had undergone a national search when it hired Van Gorder for his original position as chief of health care operations.

"We feel fortunate to have found in Chris Van Gorder a seasoned health-care professional with such superb leadership and operations experience," said Frank Panarisi, chairman of the Scripps board. "Chris has earned the confidence and respect of our medical staff, employees and management team."

Scripps declined to disclose how much Van Gorder will make in his new position.

Appendix A8
Traditional Organization Chart of Scripps Health (September 8, 2000)



Appendix A9
Scripps Health Horizontal Management Structure

