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**MOSES CONE HEALTH SYSTEM**

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Community Hospital**

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September 16, 1996

Dear Doctor:

Today the Boards of Trustees of Moses Cone Health System and Wesley Long Community Hospital voted to merge the two health care organizations to form a consolidated community health resource that better serves residents of the Piedmont Triad.

Their decision, reached after lengthy discussions, is based on the following:

- Both boards have determined that such mergers can produce significant community benefit in the areas of cost savings, access to care and quality improvement.
- The two organizations share a common medical and dental staff.
- A history of successful collaboration.
- Both the complementary nature and common vision, mission and values of the two organizations.
- The potential for increased coordination to enhance community health.

In fact, as an important aspect of the proposed merger, Wesley Long Community Hospital is creating a new foundation funded in the amount of \$50 million designed to develop programs and resources to enhance proactively the health of the community. This foundation will be called the Wesley Long Community Health Foundation. Although all hospitals within the new organization will retain their individual names, the new system will be called the Moses Cone/Wesley Long Health System. It will be governed by a combined Board of Trustees made up of equal numbers from the current boards. It will be chaired by a member of the present Wesley Long Community Hospital, P. David Brown, with Charles M. Reid, of Moses Cone Health System Board, serving as Vice Chairman. Each individual served as immediate past chair of their respective board.

The merger process usually requires 8 to 12 months, and may take longer. This process includes a thorough study of the key areas of cost savings and other potential community benefits, as well as regulatory approval.

No decisions have been made about any aspect of consolidation. Once regulatory approval is received, the medical community will be involved in the consolidation process. We pledge to keep you informed and welcome your comments, questions and suggestions.

As we undertake this process, we renew our commitment to meet your needs, those of your patients and the needs of our communities. Our goal is to preserve the tradition of high-quality/low-cost care and to enhance it with better coordination and a focus on keeping the entire community healthy. With your support, we can realize this common vision.

Sincerely,



Dennis R. Barry  
President  
Moses Cone Health System



Gary V. Park  
President  
Wesley Long Community Hospital

## *Questions and Answers*

### *Why merge?*

Health care is changing rapidly, and our two organizations have chosen to lead the change rather than be directed by the changes that are coming. By becoming a single, consolidated community health resource, the three community-focused, complementary hospitals can serve the residents of the Piedmont Triad more effectively by providing cost savings, as well as improving access, enhancing quality and utilizing resources more efficiently. In addition, the consolidation will allow the merged organization to become the area's primary force for health improvement initiatives. Key elements of the new organization will be:

- Creation of the new Wesley Long Community Health Foundation funded by Wesley Long Community Hospital in the amount of \$50 million and designed to develop programs and resources to improve proactively the health of the community.
- Consolidation of both current Boards of Trustees into one board.
- Enhanced coordination of resources at the system level.
- Preservation of each hospital's tradition of high-quality, low-cost care.
- The new name will be Moses Cone/Wesley Long Health System with each hospital retaining its existing name. The system name will have strong recognition and a solid reputation in our multi-county marketplace.

### *What does the merger mean to the patient and to the community?*

The merger will strengthen the organization's ability to provide high-quality/low-cost health care to all while improving it through better coordination and an emphasis on keeping people healthy.

The most immediate and conspicuous impact will be increased coordination of services. Piedmont Triad residents will have access to a coordinated, comprehensive system of health care characterized by increased cost savings, improved access, enhanced efficiency and continued quality. The merged organization will enable the separate facilities to share expertise on how to improve both the process of delivering care and outcomes. A study will be conducted to identify potential benefits of the proposed merger. The Wesley Long Community Health Foundation is tangible evidence of the commitment to improved community health.

### *What impact will the merger have on the hospitals' workforce?*

We are many months away from knowing if or how the change may affect individual employees. No one can predict the specific changes that may occur. However, we do not anticipate the changes that will occur to be any more significant than those the marketplace is already demanding and will continue to force us to make in the future.

***How are the hospitals complementary?***

Each institution is different but compatible. Moses Cone Health System is a large, tertiary, teaching regional medical center, and Wesley Long is a community hospital offering patients comprehensive secondary care services. There are few overlapping tertiary services. Both share the same medical staff. Both organizations are long-term members of the community (representing 122 years of combined service) with similar not-for-profit missions, traditions, values and visions for the future. The organizations are being merged as equals with each one bringing to the new entity unique strengths that will ensure success in the future.

***How will the new health system be governed?***

The merged organization will be governed by a newly constituted volunteer Board of Trustees with equal numbers drawn from the current boards of the two organizations. P. David Brown, a member of the present Wesley Long Board, will chair the new board, and Charles M. Reid of Moses Cone Health System Board will serve as Vice Chairman. Each served as the immediate past chair of their respective board. Dennis Barry, currently President of Moses Cone, will be the Chief Executive Officer (CEO), and Gary Park, currently President of Wesley Long, will be the Chief Operating Officer (COO).

***What is the purpose of the Wesley Long Community Health Foundation?***

The foundation will be designed to develop programs and resources to enhance proactively the health of the community. This builds on the existing community service missions of the hospitals and the relatively new community health program already created by Moses Cone Health System. This foundation will guarantee a solid base of funding for these endeavors and will annually benefit the community in a substantial way. Wesley Long Community Hospital is funding the foundation in the amount of \$50 million; and thus, it is being named after that organization.

***What is the time table for the merger process?***

There are two major steps in the merger process. First, a detailed study to identify key areas for cost savings will be conducted with the assistance of a national firm and should be completed by the end of the year. Second, governmental review of the merger will be required. The overall regulatory approval process can take anywhere from 8-12 months; however, it may take longer.

***When can I expect to hear more?***

Mergers such as this are a lengthy process. The process itself is expected to encompass the remainder of 1996 and most of 1997. It is important to us to keep you informed as the process moves forward. From time to time, we will send you additional information on our progress.

**WESLEY LONG COMMUNITY HOSPITAL**  
**MOSES CONE HEALTH SYSTEM**

September 16, 1996

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Thomas B. Price, M.D.

Barry V. Whitcomb

Dear Fellow Employee:

Today, the Boards of Trustees of Moses Cone Health System and Wesley Long Community Hospital voted to merge their two health care organizations. This decision was reached after lengthy discussions between the two boards and after a very thorough consideration of the many changes that are occurring in health care.

The proposed merger will bring together two complementary health care providers who share the same community tradition and vision for the future. The result will be a consolidated community health resource committed to better serving the residents of the Piedmont Triad. An important aspect of the merger will be the creation of a new community health improvement foundation designed to develop programs and resources to enhance proactively the health of the communities we serve.

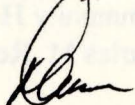
This merger process will not happen instantly. The first step is a thorough study of the potential benefits of the proposed merger. Following this study, the proposed merger will require governmental approval. These two steps taken together should require 8 - 12 months; however, in some cases it has taken longer. Only then will the merger occur. No decisions have been made about which services will be offered, combined or enhanced at the new organization's three hospitals. Any consolidation of services will involve a lengthy process and will occur only after merger.

There are many questions for which we do not have all the answers. As a single, integrated health care organization, we will be able to manage the changes that are occurring and that will occur in the future. Our patients will be better cared for, and our communities will be better served. We know that by working together we can provide better utilization of our area's health care facilities. We know that this effort will make us more efficient and will enable us to ensure that the highest quality patient care is maintained in an era of radical change.

We understand this will be a time of uncertainty, and we recognize you are concerned about your job and that of your colleagues. Merger will make the new organization more efficient and eventually there may be some modest reductions in overall workforce. We anticipate normal attrition to handle most of the reduction. An extensive set of questions and answers is included with this document to address the concerns you may have.

To make this effort successful we need your support, your suggestions and your help. Our organizations have succeeded because of the dedication and commitment of each and every employee. Never has that dedication and commitment been more important than now as we begin this important journey.

Sincerely,



Dennis R. Barry, President  
Moses Cone Health System



Gary L. Park, President  
Wesley Long Community Hospital

## *Questions and Answers*

### *Why merge?*

Health care is changing rapidly, and Greensboro's hospitals must either lead and manage the changes or will be directed by the changes that are occurring. We've chosen to lead. By becoming a single, consolidated community health resource, Wesley Long Community Hospital and Moses Cone Health System - three community-focused, complementary hospitals - can more effectively serve the residents of the Piedmont Triad. Together the hospitals can improve access, enhance quality and utilize resources more efficiently than we can as separate entities. As a consolidated resource, we are better equipped to become the area's primary force for health improvement initiatives.

Key elements of the new organization once merger is complete will be:

- Creation of the new Wesley Long Community Health Foundation funded by Wesley Long Community Hospital in the amount of \$50 million and designed to develop programs and resources to enhance proactively the health of the community.
- Consolidation of both current Boards of Trustees into one new board.
- Enhanced coordination of resources at the system level.
- Preservation of each hospital's tradition of high-quality and low-cost care.

The new system will be named Moses Cone/Wesley Long Health System. This name includes both existing names to emphasize the importance of integrating the two entities and their cultures into one, new, unified organization. At some point after the merger process is well along and the board feels the two previous organizations are truly functioning as one, the name will be changed to Moses Cone Health System in keeping with Bertha Cone's original bequest. As noted above, a unique new entity will be created, Wesley Long Community Health Foundation, funded in the amount of \$50 million.

### *What does merger mean?*

Today there are many new terms in health care: alliances, affiliations, buyouts and mergers. We have chosen to merge both organizations as equals. Each institution brings to the new organization unique strengths that will ensure success in the future. The first step in how we accomplish these efficiencies and program improvements will be determined in a study of the potential benefits of the proposed merger.

The organizations will be governed by a combined Board of Trustees made up of equal numbers from the current Wesley Long Community Hospital Board of Trustees and Moses Cone Health System Board of Trustees. A member of the present Wesley Long Community Hospital Board of Trustees, P. David Brown, will be Chairman of the new Board, and Charles M. Reid, a member of

the Moses Cone Health System Board, will be Vice Chairman. Both individuals served as the immediate past chairs of their respective boards. Dennis Barry, currently the Moses Cone President, will be the Chief Executive Officer (CEO) and Gary Park, currently the Wesley Long President, will be the Chief Operating Officer (COO).

***Why the foundation?***

The foundation will be designed to develop programs and resources to enhance proactively the health of the community. This builds on the existing community service missions of the hospitals and the relatively new community health program already created by Moses Cone Health System. This foundation will guarantee a solid base of funding for these endeavors and will annually benefit the community in a substantial way. Wesley Long Community Hospital is funding the foundation in the amount of \$50 million; and thus, it is being named after that organization.

***What does this mean for employees?***

We are many months away from knowing if or how the change may affect individual employees. No one can predict the specific changes that may occur. However, we do not anticipate the changes that will occur to be any more significant than those the marketplace is already demanding and will continue to force us to make in the future.

***How are the hospitals complementary?***

Each institution is different but compatible. Moses Cone Health System is a large, tertiary, teaching regional medical center, and Wesley Long is a community hospital offering patients comprehensive secondary care services. There are few overlapping tertiary services. Both share the same medical staff. Both organizations are long-term members of the community (representing 122 years of combined service) with similar not-for-profit missions, traditions, values and visions for the future. Both organizations are being merged as equals with each one bringing to the new entity unique strengths that will ensure success in the future.

***What is the proposed study of community benefits, and what will it tell us?***

The proposed study will look at ways that this new organization can benefit the community by providing cost savings, increased access, enhanced quality and improved efficiency. A national firm with experience in this area will assist us in conducting the study. This will represent the first step of a process to achieve the benefits of merger.

***When will the merger actually happen?***

There are two major steps in the merger process. First, we are undertaking the detailed study of benefit to the community; this will take approximately four months. Second, the government must approve the merger. This entire process can take anywhere from 8-12 months; however, it may take longer.

***Why is merger different from what Moses Cone and Wesley Long have done in the past?***

This is a full-scale commitment to the future. It is a commitment to form an entirely new community health organization with pooled resources and a consolidated board. Our past efforts took the form of either joint ventures or partial collaborations. Although productive, these efforts were not able to realize the efficiencies we expect to result from full merger. A few examples of past and current collaboration include HealthServe Medical Center, providing primary care for low-income citizens; Beacon Place, a residence for patients in the advanced stages of AIDS; and Advanced Home Care, a home health service and durable medical equipment provider jointly owned and operated since the mid-1980s. Our most recent collaboration is Guilford Child Health, Inc., which has been created to take over the pediatric clinics of the Public Health Department. These endeavors are proof of potential community benefit and pave the way for comfortable collaborative achievement.

***When can I expect to hear more?***

A series of meetings, as shown below, are scheduled to give you a chance to ask questions you may have.

**Moses Cone Campus**  
**Tuesday, September 17, 1996**

9:30 am	Rooms 0029, 0030, 0031
11:00 am	Rooms 0029, 0030, 0031
2:00 pm	Rooms 0030, 0031
4:30 pm	Rooms 0030, 0031
7:00 pm	Rooms 0029, 0030, 0031
12:30 am	Rooms 0029, 0030, 0031

**The Women's Hospital Campus**  
**Tuesday, September 17, 1996**

11:00 am	Classrooms 3 & 4
2:00 pm	Classroom 2
4:00 pm	Classroom 4
9:00 pm	Classroom 4
2:00 am	Classroom 1

**Moses Cone Campus**  
**Wednesday, September 18, 1996**

10:30 am	Room 1040
4:30 pm	Room 1040
12:30 am	Room 1040

**The Women's Hospital Campus**  
**Wednesday, September 18, 1996**

8:30 am	Classroom 4
11:00 am	Classroom 3
3:00 pm	Classroom 4
10:00 pm	Classroom 4
2:00 am	Classroom 1

Freestanding departments outside the two hospitals are welcome at all of the above meetings. In addition, the respective Vice Presidents will also provide communication to each department.

In the months ahead, we will keep you informed whenever there is news. Please recognize that during the first few months there may not be much to report.

re reached for comment.  
with the tobacco industry when it settled with five recover the public health-  
ing sick smokers. Liggett  
deral class-action lawsuit  
s.  
urham, N.C.-based maker  
Lark and L&M cigarettes,  
y \$25 million upfront plus

that the documents to be turned over in-  
clude Liggett's lawyers' notes from about  
30 years of meetings with attorneys from  
other tobacco companies.

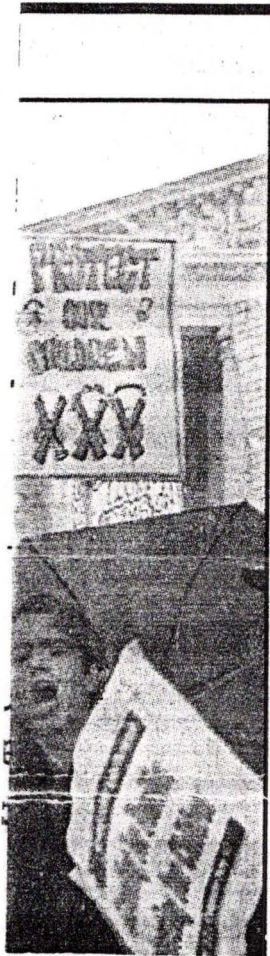
Liggett will add a prominent warning to  
each pack stating that smoking is addictive  
and acknowledging that smoking causes  
health problems, including lung cancer. It  
also will agree to government advertising,  
marketing and sales restrictions, the net-

ports.

About 46 million Americans smoke, and  
the government says smoking kills 400,000  
a year. Smoking is the major cause of lung  
cancer.

● **Babies whose mothers smoked suffer  
nicotine withdrawal, study says. A6**

● **S.C. won't sue for smokers. B6**



# Hospitals say merger would save \$53 million

● **Moses Cone and Wesley Long hos-  
pitals say their proposed merger would  
save a bundle in operating costs during  
the first five years of consolidation.**

BY TOM STEADMAN  
Staff Writer

Chief executives at Moses Cone Memorial  
and Wesley Long Community hospitals say  
they're ready to begin negotiations with the  
federal government over their plans to  
merge — a move their research now indi-  
cates would save at least \$53 million within  
five years and help hold down patient  
charges.

"These are not estimates; these are real,"  
said Cone President Dennis Barry, who has  
been designated as CEO of the merged oper-  
ation. Exhaustive documentation and re-  
search were done to produce the figures, he  
said. "Every dollar there has something be-

hind it."

The savings would come by cutting over-  
lapping services, by pooling equipment and  
facilities, and by eventually eliminating 96  
jobs — many of them administrative — from  
a combined work force that now totals more  
than 4,300 people at the two not-for-profit  
hospitals. Those projections are the result of  
a months-long efficiency study conducted by  
a consulting firm hired by the hospitals'  
boards after they made their merger plans  
public in September.

Merging the hospitals and reducing ex-  
penses would help restrain future increases  
in patient charges, Barry said. He stopped  
short of promising the hospital merger would  
lead to cuts in current prices for patients.

Yet to be seen, however, is whether the  
federal Justice Department or Fair Trade  
Commission will challenge the merger on  
anti-trust grounds. Consolidation of 547-bed  
Moses Cone and 309-bed Wesley Long would

Please see **MERGER**, Page **A2**

# MERGER

Continued from page A1

make Greensboro a one-hospital town, and federal officials will form their own opinions as to whether that would be bad or good for local residents' pocketbooks. A federal challenge could mean a long and costly legal battle and a trial in U.S. District Court.

To help avoid that, the hospital's antitrust counsel, Washington attorney William Kopit, will meet informally with federal authorities during the next few weeks to brief them on the case. Afterward, Cone and Long will file their official intent to consolidate.

What are the chances of avoiding a federal challenge?

"I'm hopeful," Kopit said. "But there's no way of telling. Obviously, they will look at it."

At issue will be whether consumers would be hurt by having only one hospital to choose from. Merger proponents say that area competitors such as N.C. Baptist Hospital in Winston-Salem, High Point Regional Hospital and Duke Medical Center in Durham still give patients and physicians plenty of choices.

"We believe that there's enough (evidence) in the aggregate that there's no serious threat prices could be raised," Kopit said. "People could still switch to other hospitals."

The sizable savings, merger proponents say, will begin to show themselves in the first year of consolidation — reductions of \$1.6 million in labor costs, \$815,000 in money spent on expensive equipment and more than \$1 million in "nonlabor savings" in areas such as liability insurance costs.

Overall savings are projected at \$3.4 million for the first year, \$9.6 million for the second and \$12.8 million for the third. By the end of five years, the total savings are projected at \$53.624 million. Thereafter, a consolidated operation would save \$13.7 million each year to operate, according to the efficiency study by Coopers and Lybrand, a Pennsylvania-based consulting firm well versed in hospital mergers.

The job cuts — 96 existing positions and 10 that would have been created without the merger, the study says — would range from the vice president rank down, said

Barry and Gary Park, the Wesley Long president who would serve as chief operating officer in the merged system.

Many would be administrative jobs; a merged system, for instance, would need only one finance department, one risk-management department or one human resources department.

"We have some difficult decisions to make in that regard," Barry said. He pledged to use attrition where possible to achieve the staff reduction. "We're dealing with people's lives here," he said. "We've got to do that with great care."

Park predicted that a consolidated system would eventually increase opportunities for workers. "Over time, there'll be a lot of new jobs created," he said.

Thus far, no public opposition has been mounted against the Cone-Long merger plan, which was negotiated for months by the two hospitals' community boards of trustees before an announcement was made in September. The most likely foes would be HMOs and large insurance carriers, who would lose the advantage of having one hospital to play against the other in negotiating cost contracts. Locally, there has been no protest from PHP, a Greensboro-based HMO to which 90 percent of Guilford's physicians belong.

The merger plan calls for Wesley Long's facility at 501 N. Elam Ave. to be integrated into the Moses Cone Health System, which already includes Cone and Women's hospitals and a multitude of outpatient services such as the North Carolina Heart Institute and the Regional Cancer Center. Wesley Long, founded in 1917, is to continue as an inpatient, outpatient treatment center.

Separate studies are now under way, Barry and Park said, to determine how best to merge the hospitals on all levels — from data systems to institutional cultures. One is looking at clinical reconfiguration, another at organizational structure and yet another is studying information systems.

The application process can proceed quickly or linger indefinitely.

Once Cone and Long file intent forms, federal officials have 30 days to decide whether to ask the hospitals for more information — an indication that they have questions about the merger. "If they don't ask for more documents, you

can go forward," Kopit said.

But such requests are common, Kopit said, and usually tie up merger plans for at least a few months while the hospitals gather more documents. The government then has another 20 days to either challenge the merger or ask for more time to study it. The entire process could be over in a few months or consume years if a court case ensues.

Or it could never take place at all, if a government challenge is successful. But courtroom challenges are relatively rare among the hundreds of not-for-profit hospitals mergers taking place annually in this country.

In some cases, hospitals drop their merger plans in the face of federal opposition. Only eight cases during the last 10 years actually have ended in litigation, said Kopit, who has had a hand in several of those, including notable mergers in Roanoke, Va.; Dubuque, Iowa; and most recently, Grand Rapids, Mich. In those eight cases, the government won only two at the District Court level and one more in an appeals-court reversal.

Nationally, the merger trend has become a virtual avalanche. "There's no great mystery as to why they occur," says Kopit, the antitrust lawyer.

"There's too much inpatient capacity in hospitals. To keep their costs down, a lot of hospitals are merging for cost and efficiency."

## GETTING IT RIGHT

The News & Record corrects errors in its news columns that come to its attention. It also publishes in this space appropriate clarifications. Please call (910) 373-7001 to report items that need correction.

• • •

Davie County has taken no stand on a proposal to bring a Major League Baseball team to the Triad. A story in Monday's Triad section indicated otherwise.

## NEWS & RECORD

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# No change of policy

By Mary Chris Jaklevic

FTC says Mich. merger OK doesn't signal enforcement shift

The Federal Trade Commission's decision to end its challenge of the controversial Grand Rapids, Mich., hospital merger doesn't mean the government will back off other big hospital deals, says the agency's top healthcare antitrust attorney.

"I don't think this decision should be read as the agencies aren't going to be vigilant in looking at markets and challenging where appropriate," said Robert Leibenluft, chief of the FTC's healthcare antitrust division.

Butterworth Health System and Blodgett Memorial Medical Center consummated their merger late last month (Sept. 29, p. 8). Days later, the commission voted to dismiss its administrative complaint, contrary to the recommendation of its staff.

The commission offered little explanation for dropping the 20-month-old case, saying only that it complied with a 1995 policy statement to decide on a case-by-

case basis whether to continue administrative proceedings following the denial of a preliminary injunction.

In July the 6th U.S. Circuit Court of Appeals in Cincinnati upheld a lower court's denial of a preliminary injunction sought by the FTC.

Political pressure could have been a factor. In July the Senate passed an appropriations rider that called for cutting FTC funding if it proceeded to prosecute the case (July 21, p. 8). Two days before the commission's vote, the Senate Judiciary Committee invited advocates of antitrust leniency for not-for-profit hospitals to testify on Capitol Hill.

Former U.S. Senator Howard Metzenbaum, who is chairman of the Consumer



Leibenluft

Federation of America, called the Judiciary Committee hearing "a loud and clear message" that a majority of committee members wanted the FTC to drop the case.

William Kopit, the hospitals' lead attorney, said, "If the FTC loses twice in court and they want to go forward with an administrative hearing, they should be concerned about political pressure."

Both Kopit and Leibenluft agreed that Grand Rapids was unique among hospital mergers, particularly because of the local business community's overwhelming support for the merger, which will consolidate as much as 70% of inpatient services in Michigan's second-largest city. □

## Greensboro hospitals merge into monopoly

By Charlotte Snow

Outflanking both the Federal Trade Commission and the North Carolina attorney general's office, two Greensboro, N.C., hospitals won their hard-fought monopoly last week with no legal document to dictate their post-merger actions.

Moses Cone Health System and Wesley Long Community Hospital completed their merger on Oct. 1 after more than a year of deftly navigating the regulatory review channels.

The lack of a federal or state consent agreement essentially gives the combined organization, Moses Cone Health System, no-strings-attached control of all the acute-care beds in Greensboro and of 69% of the acute-care beds in the surrounding county.

The hospitals had been negotiating the terms of a consent agreement with the state since the FTC cleared the deal of antitrust concerns in July.

Although the FTC didn't condition its clearance of the merger on a deal with the state, it based its decision partly on the hospitals' promise that they would try to reach an enforceable agreement with the state attorney general (Aug. 25, p. 3).

But in mid-September talks broke down with the state. Dennis Barry, president and chief executive officer of Moses Cone, said the hospitals couldn't agree with the state on what restrictions should apply to the new system and on how long they should apply.

"It was an agreement to disagree," Barry said.

Allen Hirsch, the director of the state's consumer protection and antitrust division, said, for example, that the hospitals wanted to set a general price freeze for two years while the state wanted the time period extended and the prices specified.

"In our view we had enough ability under the antitrust laws to ensure that the hospitals act in an appropriate fashion and that it would not have been wise to make an agreement for less than what we thought was necessary," Hirsch said.

The new system will operate 547-bed Moses H. Cone Memorial Hospital, 199-bed Wesley Long and a 115-bed women's hospital.

The hospitals are located in the Piedmont Triad region of North Carolina, which includes Greensboro, High Point, and Winston-Salem in Guilford and Forsyth counties.

The 31% of Guilford County's beds not controlled by the new system are operated by 329-bed High Point (N.C.) Regional Hospital, the only hospital serving a community less than 20 miles from Greensboro.

Jeff Miller, the president of High Point Regional Health System, said he did not expect the Greensboro merger to change High Point's strategy. He said competition was more intense between Moses Cone and Wesley Long than between the Greensboro hospitals and those in other cities.

Since the announcement of the Greensboro merger in September 1996, the hospitals have tried to avoid being pinned down by the state.

They initially sought federal antitrust clearance rather than pursuing a "certificate of public advantage" with the state. In return for effectively immunizing the hospitals from state antitrust scrutiny, the COPA would have placed enforceable restrictions on the hospitals' business practices.

Instead, the hospitals launched a self-policing effort to convince the feds and the state that regulatory action against them was unnecessary.

■ They pledged to create a community foundation with an initial contribution of \$50 million.

■ They released the results of a study saying their combined organization would save some \$54 million over its first five years of operation.

■ And they promised to freeze prices for two years and limit price increases for another two years to below the general rate of inflation.

The promises appeared sincere enough that both the FTC and the state were willing to see if the hospitals will fulfill them.

Robert Leibenluft, head of the FTC's healthcare antitrust division, said the agency has no plans to revisit the Greensboro deal unless it receives consumer or other formal complaints. □

# MERGER

Continued from page A1

make Greensboro a one-hospital town, and federal officials will form their own opinions as to whether that would be bad or good for local residents' pocketbooks. A federal challenge could mean a long and costly legal battle and a trial in U.S. District Court.

To help avoid that, the hospital's antitrust counsel, Washington attorney William Kopit, will meet informally with federal authorities during the next few weeks to brief them on the case. Afterward, Cone and Long will file their official intent to consolidate.

What are the chances of avoiding a federal challenge?

"I'm hopeful," Kopit said. "But there's no way of telling. Obviously, they will look at it."

At issue will be whether consumers would be hurt by having only one hospital to choose from. Merger proponents say that area competitors such as N.C. Baptist Hospital in Winston-Salem, High Point Regional Hospital and Duke Medical Center in Durham still give patients and physicians plenty of choices.

"We believe that there's enough (evidence) in the aggregate that there's no serious threat prices could be raised," Kopit said. "People could still switch to other hospitals."

The sizable savings, merger proponents say, will begin to show themselves in the first year of consolidation — reductions of \$1.6 million in labor costs, \$815,000 in money spent on expensive equipment and more than \$1 million in "nonlabor savings" in areas such as liability insurance costs.

Overall savings are projected at \$3.4 million for the first year, \$9.6 million for the second and \$12.8 million for the third. By the end of five years, the total savings are projected at \$53.624 million. Thereafter, a consolidated operation would save \$13.7 million each year to operate, according to the efficiency study by Coopers and Lybrand, a Pennsylvania-based consulting firm well versed in hospital mergers.

The job cuts — 96 existing positions and 10 that would have been created without the merger, the study says — would range from the vice president rank down, said

Barry and Gary Park, the Wesley Long president who would serve as chief operating officer in the merged system.

Many would be administrative jobs; a merged system, for instance, would need only one finance department, one risk-management department or one human resources department.

"We have some difficult decisions to make in that regard," Barry said. He pledged to use attrition where possible to achieve the staff reduction. "We're dealing with people's lives here," he said. "We've got to do that with great care."

Park predicted that a consolidated system would eventually increase opportunities for workers. "Over time, there'll be a lot of new jobs created," he said.

Thus far, no public opposition has been mounted against the Cone-Long merger plan, which was negotiated for months by the two hospitals' community boards of trustees before an announcement was made in September. The most likely foes would be HMOs and large insurance carriers, who would lose the advantage of having one hospital to play against the other in negotiating cost contracts. Locally, there has been no protest from PHP, a Greensboro-based HMO to which 90 percent of Guilford's physicians belong.

The merger plan calls for Wesley Long's facility at 501 N. Elam Ave. to be integrated into the Moses Cone Health System, which already includes Cone and Women's hospitals and a multitude of outpatient services such as the North Carolina Heart Institute and the Regional Cancer Center. Wesley Long, founded in 1917, is to continue as an inpatient, outpatient treatment center.

Separate studies are now under way, Barry and Park said, to determine how best to merge the hospitals on all levels — from data systems to institutional cultures. One is looking at clinical reconfiguration, another at organizational structure and yet another is studying information systems.

The application process can proceed quickly or linger indefinitely.

Once Cone and Long file intent forms, federal officials have 30 days to decide whether to ask the hospitals for more information — an indication that they have questions about the merger. "If they don't ask for more documents, you

can go forward," Kopit said.

But such requests are common, Kopit said, and usually tie up merger plans for at least a few months while the hospitals gather more documents. The government then has another 20 days to either challenge the merger or ask for more time to study it. The entire process could be over in a few months or consume years if a court case ensues.

Or it could never take place at all, if a government challenge is successful. But courtroom challenges are relatively rare among the hundreds of not-for-profit hospitals mergers taking place annually in this country.

In some cases, hospitals drop their merger plans in the face of federal opposition. Only eight cases during the last 10 years actually have ended in litigation, said Kopit, who has had a hand in several of those, including notable mergers in Roanoke, Va.; Dubuque, Iowa; and most recently, Grand Rapids, Mich. In those eight cases, the government won only two at the District Court level and one more in an appeals-court reversal.

Nationally, the merger trend has become a virtual avalanche. "There's no great mystery as to why they occur," says Kopit, the antitrust lawyer.

"There's too much inpatient capacity in hospitals. To keep their costs down, a lot of hospitals are merging for cost and efficiency."

## GETTING IT RIGHT

The News & Record corrects errors in its news columns that come to its attention. It also publishes in this space appropriate clarifications. Please call (910) 373-7001 to report items that need correction.

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Davie County has taken no stand on a proposal to bring a Major League Baseball team to the Triad. A story in Monday's Triad section indicated otherwise.

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# Moses Cone Hospital forges an important link in health care

7/7/96

● The task is to provide the community with the highest quality of protection at the lowest possible price.

BY RALPH SHELTON AND LANTY SMITH

Greensboro is the only major metropolitan area in North Carolina without a public hospital or an academic medical center, two common sources of care for uninsured and underinsured patients. To help bridge this gap, Moses Cone Health System is the city's primary provider of care through its teaching clinics and programs.

Moses Cone Health System's mission statement emphasizes its commitment to care for all patients regardless of their ability to pay. This commitment not only assures residents of necessary care, it also saves tax dollars that the community otherwise would spend to fund a public hospital.



SMITH



SHELTON

Lanty L. Smith is chairman of the Moses Cone Health System board of trustees, and Ralph K. Shelton is chairman of the board's Community Health Program Committee.

To address important health issues and respond to area health-care needs that are not being met, Moses Cone Health System recently created a Community Health Program.

The program was launched with a comprehensive community health needs assessment during 1995. The study, which consisted of a household survey, eight focus groups and several other components, identified the most significant community health needs that are not being adequately met today.

A 21-member advisory committee of Greensboro's civic, business, health, human service, community and religious leaders led the assessment. The Board of Trustees and staff are using these assessment results and the advisory committee's recommendations to develop new programs that address the needs identified by the study. The Community Health Program will work closely with community agencies in developing these new programs.

It is difficult for any institution to measure its true value to the community, especially a health-care organization.

For example, how can one measure the benefit to a family when a premature infant reaches adulthood? When a mother recovers from a serious illness? When a father never has the heart attack that ended his own father's life?

Although it is difficult to measure the organization's personal contributions to the community, it is possible to measure a portion of the financial benefit. In fiscal year 1995 (which ended Sept. 30, 1995), Moses Cone Health System provided \$12.4 million (calculated at actual cost) in charity care.

These services include providing free care to patients who cannot pay, reducing charges for patients in need of financial assistance, and accepting reimbursements for Medicaid patients at rates below the hospital's costs.

In addition, there are costs to educate and train health-care professionals; donations to community charities, community health education and outreach programs; employee contributions through the organization; and contributions by Moses Cone Health System volunteer organizations — all of which raised the hospital's estimated total financial benefit to the community to more than \$17.7 million during fiscal year 1995.

Moses Cone Health System partnered with Greensboro Urban Ministry in 1992 to improve the availability of health care for Greensboro's uninsured residents. The first outcome of this partnership is HealthServe Medical Center, a full-service primary care center which opened in 1993. Moses Cone has provided a full range of strategic, management and financial support.

From October 1994 through September 1995, HealthServe Medical Center provided 11,630 medical visits and 934 dental visits. Since the Center's opening through May 1996, it has registered more than 11,000 area residents.

Moses Cone Health System pledged \$1.2 million over four years to help finance HealthServe Medical Center. In addition to its annual donation of \$250,000 to fulfill this pledge, the hospital contributed \$185,312 for medical equipment in 1995.

As the first corporate partners, Moses Cone Health System and Greensboro Urban Ministry have

provided the necessary leadership to encourage additional organizations to join this effort. Other community partners include Wesley Long Community Hospital and the Junior League of Greensboro, as well as the hundreds of volunteers and contributors who make HealthServe Medical Center possible.

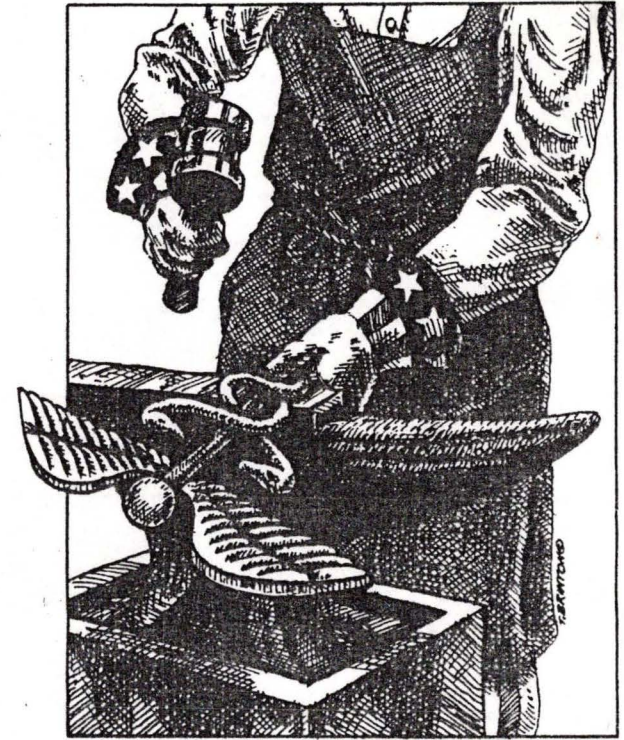
The organization also participated in the development and growth of Hospice at Greensboro starting in 1984 and remains an active participant in its services to the community. The Moses H. Cone Memorial Hospital operates a 10-bed inpatient hospice unit, the first of its kind in North Carolina.

Area residents recognize Moses Cone Health System as a high-quality, low-cost provider of health care. The hospital's guiding principle is to provide quality care with excellent clinical outcomes at an affordable price. To help measure performance, the hospital's clinical outcomes are routinely compared to groups of hospitals that are recognized for their excellence.

This process is called "benchmarking." In many areas, such as cardiology, rehabilitation and oncology, Moses Cone surpasses its benchmarks.

Delivering efficient, cost-effective care is a top priority for Moses Cone Health System. The use of clinical pathways and emphasis on efficiency and quality have helped to significantly reduce costs. Because of these efforts the hospital has raised rates only once in the past five years, and that was only by 1.4 percent.

This record places Moses Cone Health System's average rate increase during 1991 through 1996 at one-tenth of the Consumer Price Index. Also, the Board of Trustees takes great pride in that, on aver-



Tim Brinton

age, Moses Cone's charges are 20 percent less than charges at similar hospitals in North Carolina.

By providing high-quality care at a low cost, Moses Cone Health System consistently scores in the top 5 percent of its group of comparison hospitals in patient satisfaction.

The Moses Cone Health System

Board of Trustees and staff share a goal — for the hospital to provide the best value to the community.

This heritage of community service was made possible by the Moses Cone family and nurtured by dedicated staff and volunteers and trustees committed to preserving and building upon those ideals.

## Give complaining a rest: Get a job

● Whatever happened to our work ethic?

BY ERIC BIRMINGHAM

Having been raised during the '60s and '70s puts me in a unique position. I am not old enough to remember the way it was and I'm not young enough to know what it's like to be a kid in this new society. I do not have young children at home and I am not like my Depression-

finally got to the head of the line, the cashier looked at me and disappeared into the kitchen, not to return for five minutes. I kept my cool and asked her if there was a problem. Her reply was that they didn't have enough employees. I spoke to the manager and asked if that was true. She said that indeed it was true, she couldn't find employees who would come to work for more than a couple of weeks, and when and if they came, they basically ran the show. I was flabbergasted. I asked her how much

\$3.20 an hour. People went to work every day they were scheduled and didn't tell the manager when they would work and when they wouldn't. You came to work, ready to work. You didn't have your friends punch the time clock for you and you tried to be on time. If you wanted a day off, you would request it in advance and hope the needs of the business wouldn't outweigh your wants. You worked with a company to make it stronger, not to draw a check just for showing up.

## School attendance districts aren't the playthings of bureaucrats

● We in the southwest corner of Guilford County have had it with arbitrary school reassignments.

BY BILL STEVENS

How would you feel if tomorrow you received a letter that said the

store, XYZ's products and services will almost surely improve.

We do recognize that you may not be completely satisfied with this arrangement. Therefore, if you feel you simply cannot cooperate, we will allow you to shop at one of six other grocery stores in the area. Of course, the prices at these stores are about twice as high and some don't have the selection available

children's future. There is nothing we can do about it but attend showy redistricting hearings designed to provide the impression of community input to decisions that are made before we even arrive.

A bureaucrat moves his pencil and our child must leave a school we carefully selected by moving to the area the school serves. Our children must move whether or not their assigned school is any further