



# M&M on a 15 Year History of a Merger of Gundersen Clinic and Lutheran Hospital: Struggles and Successes

Jeff Thompson, MD

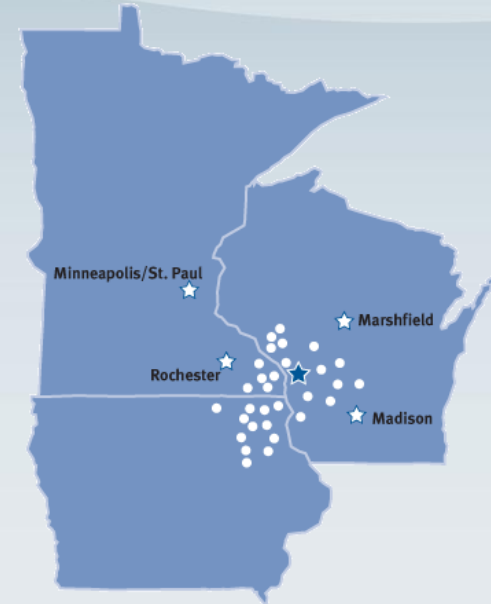
*Chief Executive Officer*

**GUNDERSEN**  
HEALTH SYSTEM

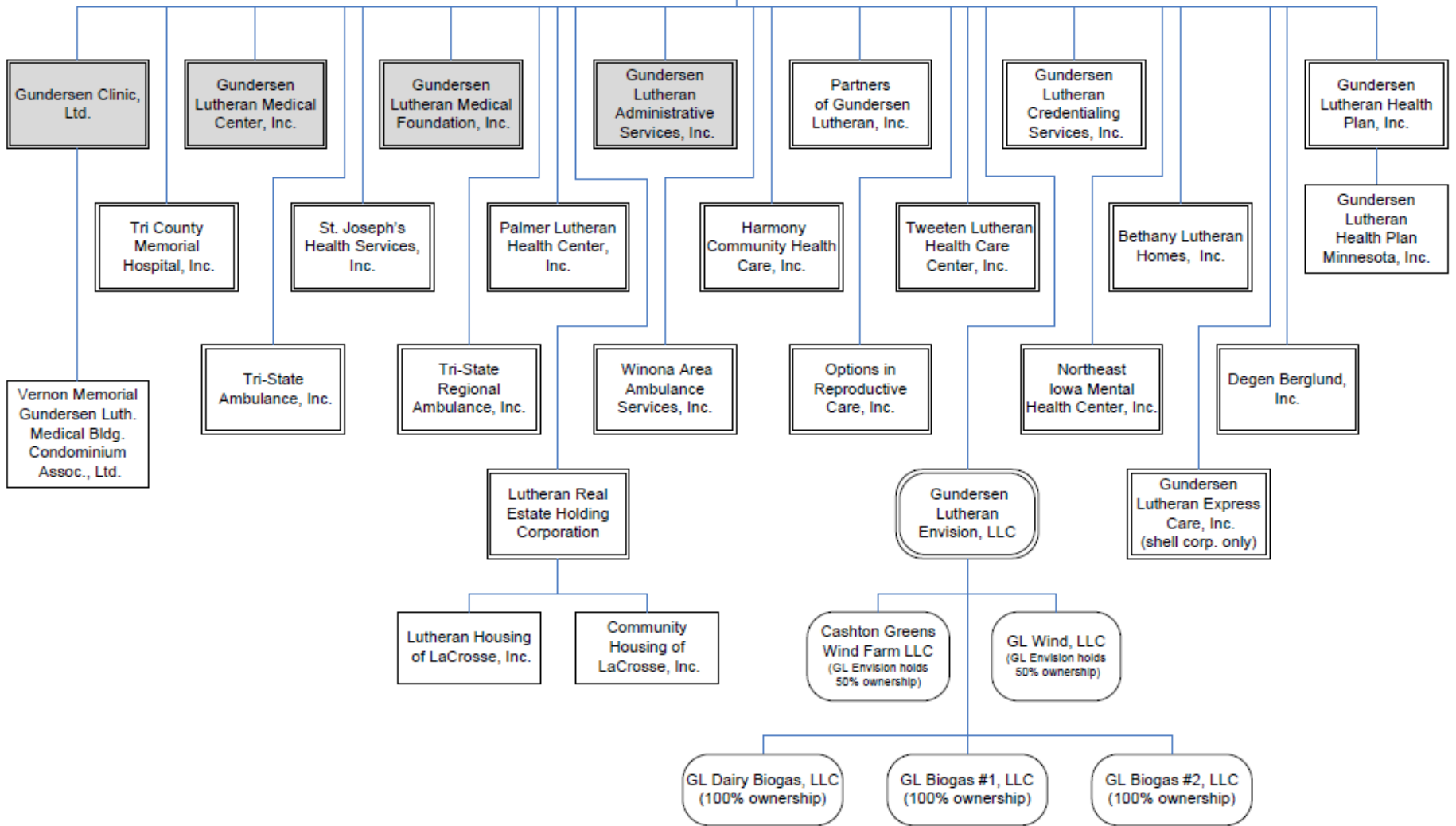
# Who We Are Now



- Integrated Delivery System
  - Approximately 6,300 Total Employees
  - 768 providers employed / 484 medical staff
  - 51 clinic locations
  - 325-bed Tertiary Medical Center
    - Level II Trauma Center
    - 3 Critical Access Hospitals
- Western Campus of the University of Wisconsin Medical School
- Gundersen Lutheran Medical Foundation
  - Residency and Medical Education Programs
  - Research Program
- Variety of affiliate organizations including EMS ambulance service, rural hospitals, nursing homes, hospice, etc.
- Strong Administrative/Medical partnership
- Physician Led



# GUNDERSEN HEALTH SYSTEM



# Strategic Plan 2012-2016

Our Purpose is to bring health and well-being to our patients and communities.

**Mission:** We will distinguish ourselves through excellence in patient care, education, research and improved health in the communities we serve.

**Vision:** We will be a Health System of excellence, nationally recognized for improving the health and well-being of our patients, families, and their communities.

**Commitment:** We will deliver high quality care because lives depend on it, service as though the patient were a loved one, and relentless improvement because our future depends on it.

**Values:**

- Integrity** – Perform with honesty, responsibility and transparency.
- Excellence** – Measure and achieve excellence in all aspects of delivering healthcare.
- Respect** – Treat patients, families, and coworkers with dignity.
- Innovation** – Embrace change and contribute new ideas.
- Compassion** – Provide compassionate care to patients and families.

## Superior Quality and Safety

Demonstrate superior Quality & Safety through the eyes of the patients & caregivers

## Outstanding Patient Experience

Create an outstanding Experience for patients and families

## Great Place

Create a Culture that embraces a passion for caring and a spirit of improvement

## Affordability

Make our care more Affordable to our patients, employers, and community

## Growth

Achieve Growth that supports our mission and other key strategies

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## Superior Quality and Safety

Demonstrate superior Quality & Safety through the eyes of the patients & caregivers

- Achieve quality outcomes that are best in class
- Deliver a care experience for patients and their families that is safe and reliable throughout our system
- Have no preventable deaths, infections, pain, suffering, waiting, or waste
- Engage patients, families, and employers in their own care to improve outcomes and health
- Be the preferred community-based academic health center for healthcare education in the Upper Midwest

## Outstanding Patient Experience

Create an outstanding Experience for patients and families

- Innovate to achieve service and patient-centered experience outcomes that are best in class
- Partner with patients and families to design and deliver their ideal care experience
- Ensure that all patients get the care they need.
- Develop the information technology that will meet the individual needs of all patients
- Be the best regionally and nationally on environmental stewardship and sustainability

## Great Place

Create a Culture that embraces a passion for caring and a spirit of improvement

- Develop an engaged and inclusive workforce that embraces change and innovation, and can respond to future healthcare demands
- Develop leaders and a leadership team that engage staff and lead transformational change
- Develop medical teams that lead our care delivery transformation
- Engage our staff to create a safe, injury free, and healing environment for themselves, our patients and visitors

## Affordability

Make our care more Affordable to our patients, employers, and community

- Fully utilize our integrated system to reduce the cost per episode of care, approaching break-even with Medicare
- Eliminate all forms of waste (time, process, supplies) and employ sustainable practices to achieve operational excellence
- Better use data to improve population health and better manage risks
- Engage multiple community partners to help optimize population health and care utilization
- Achieve consistent operating results to fund our mission

## Growth

Achieve Growth that supports our mission and other key strategies

- Distinguish ourselves through exceptional patient access across the system
- Better use existing resources to handle increased patient volume
- Partner to optimize services and care delivery
- Expand our presence and capabilities through non-traditional delivery channels
- Pursue affiliations and partnerships that expand our geographical reach and provide scale, diversity, financial stability and/or market strength

# Our Mission

We distinguish ourselves through excellence in patient care, education, research, and through improved health in the communities we serve.

# National Recognition

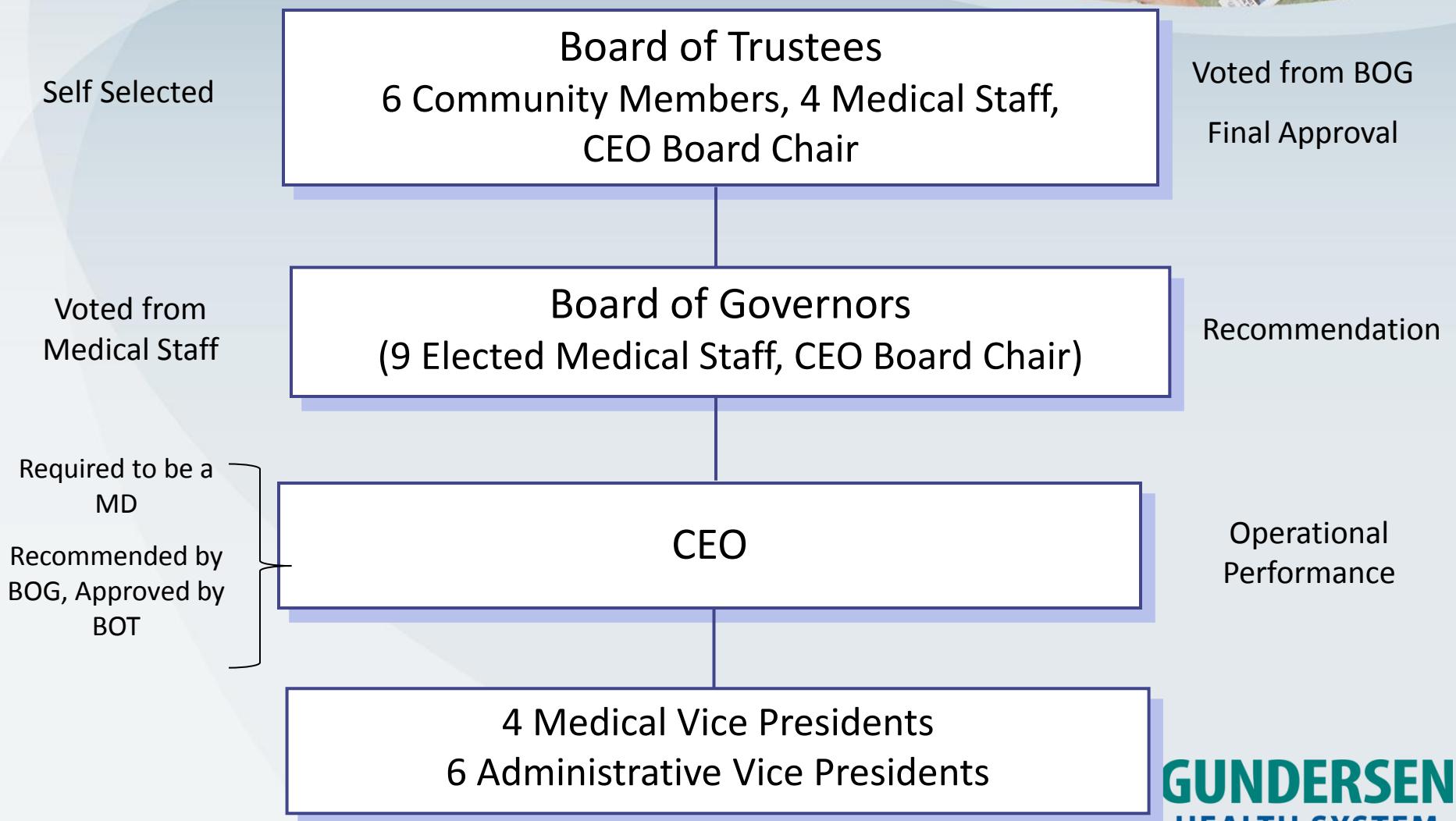


## ***System-Wide Recognition***

- Top 100 Hospitals Five Year Performance Improvement Leader – Thomson Reuters
- Healthgrades Distinguished Hospital Award for Clinical Excellence™ 6 years in a row (2008-2013)
  - Places Gundersen Lutheran in the top 5% of hospitals in the nation
- Healthgrades America's 100 Best Hospitals 2012
- Healthgrades Outstanding Patient Experience Award™
  - Places Gundersen Lutheran among the top 5 % of hospitals in the nation
- National Research Corporation 2012 Path to Excellence Award for Top Performing Organization for Rate a Doctor (Adults)
- Top 100 Hospital – Thomson Reuters
- Top 100 Integrated Healthcare Network – Verispan
- 2009 Dartmouth/IHI/Brookings – Best value of 309 Medicare regions
- 2009 Commonwealth Fund Top Integrated Systems
- 2010 Delta Group – Ranked # 1 in 3 clinical categories (overall hospital care, overall surgical care, and major cardiac surgery) of 118 academic centers

## ***Service-Line Recognition***

- Healthgrades Joint Replacement Excellence Award
  - 2 years in a row placing Gundersen Lutheran in the top 10% nationally
- Top 50 Cardiac Care – Thomson Reuters
- National Heart Care Specialty Center designation by BCBS
- Norma J. Vinger Center for Breast Care – First Breast Center of Excellence by the National Quality Measures for Breast Centers™ Program.
- Bariatric Center of Excellence Designation by American Society for Bariatric Surgery





# How Leadership Is Selected



## **CEO**

Must be MD, Board of Governors and Trustees majority vote

## **Medical VPs**

Selected by CEO

## **Executive VP**

Selected by CEO

## **Chief Medical Officer**

Elected by Board of Governors (from BOG)

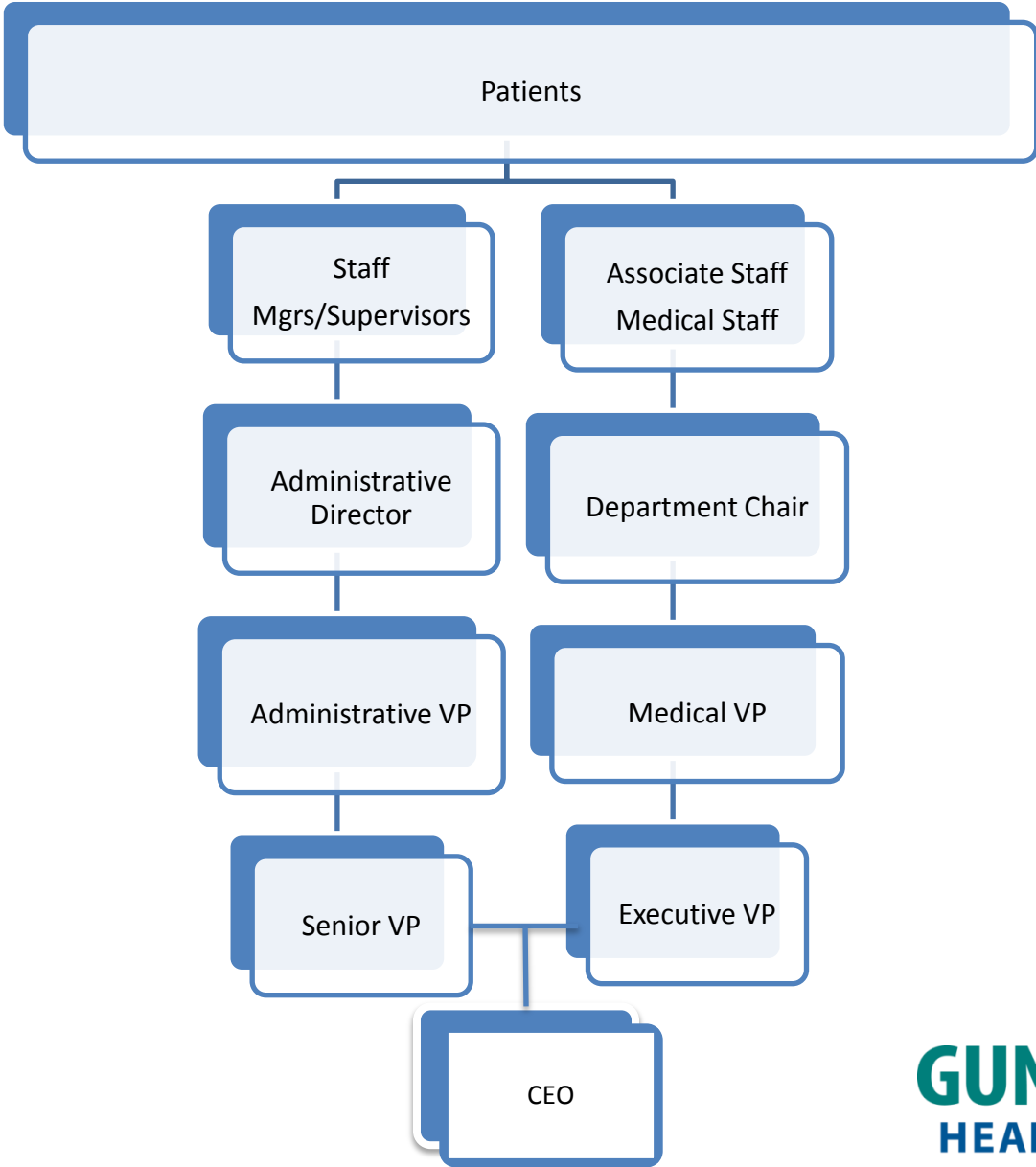
## **Board of Governors**

Elected from Medical Staff by all Medical Staff

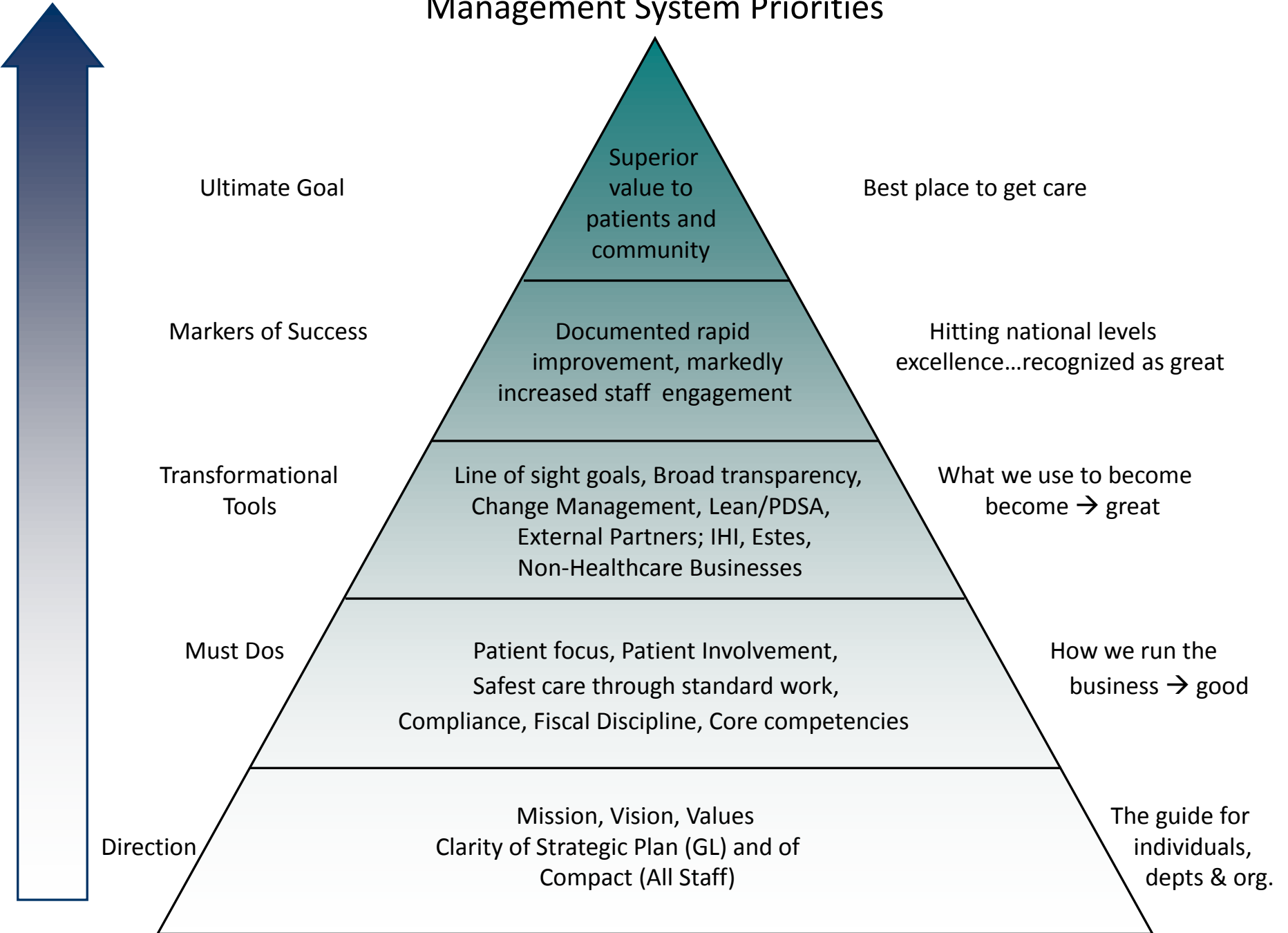
## **Department Chairs/Section Chiefs**

Selected by Medical VPs, following advisory vote by staff (95% agreement by Executive Committee)

# Medical & Administrative Partnership



# Management System Priorities



# Our History Lesson

## 1995



- Gundersen Clinic
  - 300 physicians
  - 60/40 specialties
  - 35 locations
- Lutheran Hospital
  - 300 beds
  - Tertiary center
  - 2 affiliated hospitals
- Skemp Clinic
  - 90 physicians
  - 40/60 specialties
  - 15 locations
- St. Francis Hospital
  - 200 beds
  - Secondary center
  - 2 affiliated hospitals

# Options

- All go it alone
- Find local partner
- Find external partner
- Develop single regional health system



# 1995 – 1996

- Mayo bought Skemp Clinic
  - Convinced St. Francis Hospital to join Mayo also
- Gundersen and Lutheran focused talks on merger (no buy out)



# Our Physicians Concerns

- Anti-doc attitude of hospital administration
- We are ok...why change?
- Lack of trust of the community board; ability and prioritization
- Support for education and clinical research may not be their priority



# Hospital Board Concerns

- Doctors will “take all the money”
- Doctors will have too much control
- Doctors will not continue with the community board mission
- Hospital will not be centerpiece of care





# 15 Year Follow-Up



- Anti-doc attitude of hospital administration?
  - They changed or left
- We are ok...why change?
  - Much better off now
- Lack of trust of the community board; ability and prioritization?
  - Great trust now
- Support for education and clinical research?
  - Very strong

# 15 Year Follow-Up

- Doctors will “take all the money”
  - Cash then \$50M → Now \$450M
- Doctors will have too much control
  - No change, but not an issue
- Doctors will not continue with the community board mission
  - Bigger community accomplishments
- Hospital will not be centerpiece of care
  - True, it is not, the patient is



# Key Characteristics of Initial Design



- A full merger of assets
- A unified governing board was formed consisting of six community members and four physicians from the clinic
- The clinic CEO was appointed CEO of the newly formed health system
- A board of governors was formed composed of nine elected physicians
- Operations were consolidated to reflect an “equitable” integrated operating management model

# First five years were marked by...



- The governing board meeting separately with insufficient integration.
- Managers of the clinic and hospital frequently confused over roles, responsibilities and accountabilities.
- Some leaders remained psychologically rooted in the past.
- Territorialism “emerged.”
- “Somebody wins and somebody loses” vs. we are all here for the patient.

# External Stoppers

- The Balanced Budget Act of 1997
- Increasing market competition
- Local, large businesses needing to dampen health cost inflation rates
- Health system ownership of a small HMO





The first five-year period was marked by turbulence and volatility.

Fortunately, the design of the integration allowed for no easy way out (i.e., no turning back). Costs of reversing the deal were too high. All needed it to work.

# Next 10 Year Innovations



- Physician prominence in our integrated system
- Physician leadership development plan
- Non-healthcare businesses as partners
- Early outpatient electronic record
- Electronic management dashboard
- Believing that healthcare competition will migrate to outcomes /cost...not volume/prestige
- GE/LEAN/IHI approach to performance improvement
- Energy / international / educational partnerships



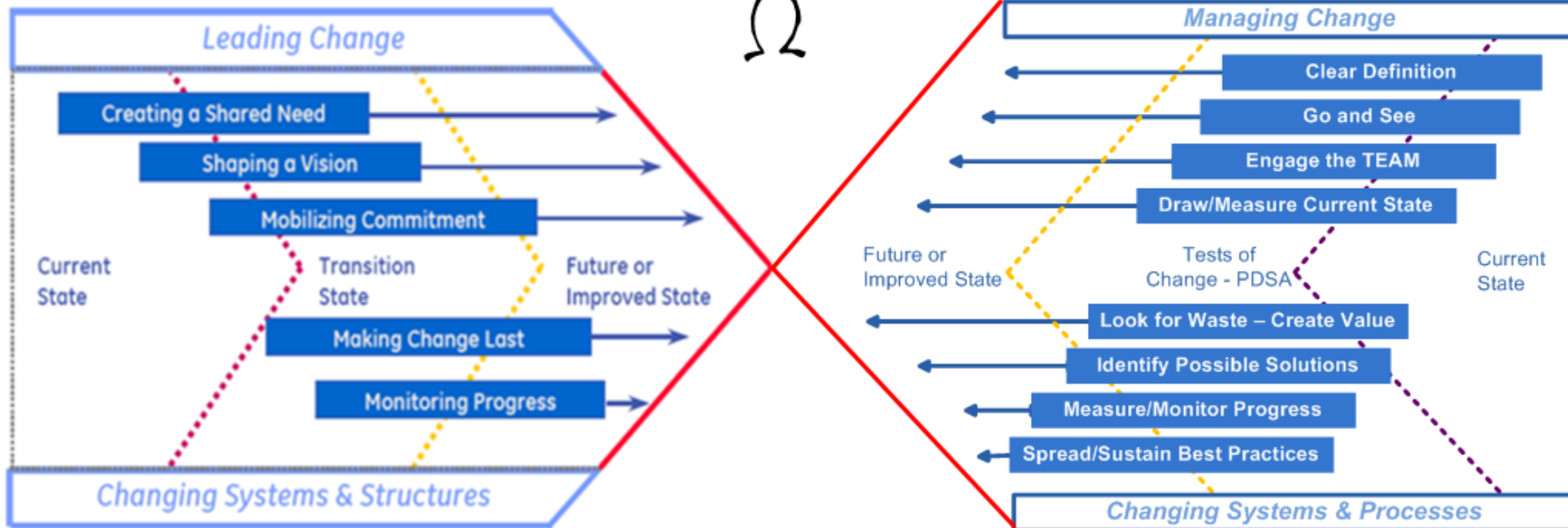
Developed and integrated  
Physician Compact into  
fabric of organization.



# GIMS Gundersen Improvement System

Leading Change: Motivating and Engaging

Making Change: Implementing and Sustaining



## Our Commitment:

We will deliver high quality care because lives depend on it, service as a though the patient were a loved one, and relentless improvement because our future depends on it.

Resources/Templates/ToolKit: Located on GundU – Our Work

# Errors

- Too cheap, short term thinking at time of merger
- The idea that with the same mission, vision, value, governance, strategic plan we would function “integrated”
- Held pay raises to balance benefits of clinic and hospital
- Separate board meetings led to separate thinking
- Too slow to remove mediocre performance




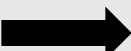

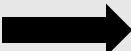


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**GUNDERSEN**  
HEALTH SYSTEM

# Gundersen Health System Then, Now and Forward The Value of Sustaining Principles as a Guide for Leaders in Health System Transformations


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| Then:   |   | Now and Forward:   |
|---|---|--|
| (1) Vision: Betting on the Integrated Model to be more sustainable      |  | (1) Model has endured through more than one attempt at reform and negative market cycles. Best Positioned for next “cycle” (no matter what)  |
| (2) Commitment to the business model. Abandoned the thought of break-up |  | (2) This decision permitted the organization to “get on with” the fulfillment of the vision through a strategy that optimized the integrated model   |
| (3) Commitment to the “system” as the provider                          |  | (3) A focus on the value of “the brand”; team care and efficient and effective care management over time   |
| (4) Commitment to a customer-focused experience                         |  | <p>(4) System recognizes the need to address a multiple-customer strategy; patients, families, community, employers, payers. The need to accommodate to varying economic cycles and contracting methods is “baked into” the long-term strategy.</p> <ul style="list-style-type: none"> <li>• Organization has formidable competitor. It understands it’s strategic value proposition.</li> </ul> |




| Then:  |   | Now and Forward:  |
|--|---|---|
| (5) Commitment to transparency   | ➔ | (5) Leadership is composed of “environmentalists” responsible for a delicate “eco-system”. Frequent, honest, open communications at all levels has become an effective management tool.   |
| (6) Consistency of Clinical Care Models and Evidence-based, best practice standardization across an expanding, regional foot print | ➔ | (6) Organization is a cogent, cohesive system of care across multiple communities. There is a commitment to one standard of care. Patients can enter clinical service lines through many, geographically distributed system “front doors” and expect a “one best way” of care.      |
| (7) Commitment to Sustainable financial performance  | ➔ | (7) The vision, mission and values remain constant, markets and market cycles change. The integrated economic and business model permits flexibility, which facilitates sustainability. Model facilitates efficient (and expedient) innovation, and transmogrification as required. |



| Then:   |   | Now and Forward:   |
|---|---|--|
|   |   | <ul style="list-style-type: none"> <li>• Organization anticipates reimbursements models to be an “experimental science” for the foreseeable future</li> <li>• Organization has a functional sense of the connection between clinical model design, operating economics, financial performance and accounted performance</li> </ul>   |
| (8) Commitment to ongoing internal incentives alignment |  | <p>(8) Physicians are not insulated from the realities of the economics of the market.</p> <ul style="list-style-type: none"> <li>• provider compensation designs evolve as required</li> <li>• physician leaders manage the provider compensation plans</li> <li>• the organizational culture “connects” market realities with provider mental models of the clinical and business model interdependencies</li> </ul> |



| Then:                                   |   | Now and Forward:   |
|---|---|--|
| (9) Commitment to “growing own leaders” |  | <ul style="list-style-type: none"><li>• From the beginning the physician leaders came from within.</li><li>• They are developed deliberately for: governance, clinical program leadership, senior leadership.</li><li>• Physician leaders have job descriptions.</li><li>• Physician leaders are paid.</li><li>• Physician leaders are accountable for results.</li><li>• Physician leaders are paired with non-physician management partners.</li></ul> |







# Questions