

FOR THE EXCLUSIVE USE OF SBANKS@BBGARDENS.ORG

From the Birmingham Business Journal:

<http://www.bizjournals.com/birmingham/news/2016/11/24/how-the-deal-that-united-baptist-and-brookwood.html>

How the deal that united Baptist and Brookwood changed Birmingham's medical world

🔑 SUBSCRIBER CONTENT:

Nov 24, 2016, 10:13pm CST

A year ago, two of the largest players in Birmingham's health care world joined forces.

The joint venture between [Baptist Health System](#) and [Tenet Healthcare Corp.](#) (NYSE: THC) united [Brookwood Medical Center](#) with Baptist Health, bringing together five hospitals, nine outpatient clinics and 68 physician clinics across central Alabama.

The end result was a foundation-shaking merger that was finalized on Oct. 2, 2015.

The mega-deal left metro Birmingham dominated by four major hospital systems: Brookwood Baptist Health, the University of Alabama at Birmingham Health System, [St. Vincent's Health System](#) and Grandview Medical Center.

The merger was indicative of national trends in the health care world – most notably a drive for efficiency and a paradigm shift away from volume-based health care that has long been a staple of the American health system.

Brookwood Baptist's merger came as Baptist had downsized from 11 hospitals to its current four over the past two decades, while Tenet Healthcare was on an acquisition spree.

With a 60 percent stake, Tenet became majority partner and [Keith Parrott](#), previously CEO of Baptist, was tapped to lead the new organization.

At the time, Parrott told the *BBJ* that Baptist's "siloed delivery system" was outdated. In the year since, Brookwood Baptist Health has worked to break down those silos and spread its depth of care in specialties like neuro-intervention and cardio health.

The system now boasts more than 1,700 licensed beds, nine outpatient centers, more than 7,000 employees and about 1,500 affiliated physicians.

The massive undertaking hasn't been without its growing pains as physicians adapt to a health care model paradigm shift and administrators grapple with an underfunded state health environment.



CHARLESBECK

The deal that Brookwood Medical Center with Baptist Health System is shaping Birmingham's health care world.

But one year in, it's a deal that is already shaping the future of health care in the region in several ways. With Brookwood Baptist still maintaining its ambitious \$250 million capital investment plans, the deal promises to have an even larger impact in the years to come.

Assessing the immediate impact

Brookwood-Baptist's marriage is part of a larger trend in the U.S., which has charted a sharp uptick in mergers since 2010.

According to data compiled by Kaufman Hall, a management consulting firm, 122 hospital transaction announcements were made in 2015, compared to 95 in 2014 and 66 in 2010. Transactions particularly increased in the second half of 2015, when Baptist and Tenet announced their merger.

Some consumers and experts are concerned about decreasing choice among providers, but Eric Ford, a health policy and management expert at the Johns Hopkins Bloomberg School of Public Health, believes the benefits of a larger network of medical experts will ultimately benefit patients.

"For many years, people talked about the physician-patient relationship and how strong it was, but the reality is these days – you get about eight to 10 minutes of interaction with physicians," Ford, a professor at Johns Hopkins Bloomberg School of Public Health, said. "Now, for example, if you have a chronic illness, they can direct you to a physician who is trained in that particular illness. I think people are seeing benefits in having better coordination and being directed to higher level of care."

In addition to competition, the other big question after the deal was announced was what it would mean for workers at Baptist and Brookwood.

Some health care experts said layoffs were likely as the organization ran across duplication, but Brookwood Baptist has avoided them thus far.

The system continues to actively recruit nurses, and Parrott said administrators found many of the Baptist positions weren't duplicated at Brookwood. The system has taken a slower approach at filling positions as people retire or move to other jobs.

"As we've had attrition, there have been positions we haven't filled," Parrott said.

Even without layoffs, Ford said the beginning stages of a merger can be difficult for employees. Staff members, many of whom need to be retrained or re-evaluated in changing technology of information systems, can chafe at changes in work culture.

"There's something called the productivity paradox," Ford said. "When you first have these mergers, you tend to see a dip into their productivity levels. But hopefully, over time, you see increased productivity, especially with reduced administrative overhead."

Brookwood Baptist has charted flat patient volumes since the merger, which Parrott said is in line with its new mission of patient care.

"We want to move away from the environment of measuring success by volume, and volumes overall are flat, which has been an interesting dynamic," Parrott said. "With Grandview's (new) location, their volumes are up significantly, according to publicly available data. But it's interesting that the rest of the hospitals in the market haven't seen a decline. Everyone seems to be at or slightly above capacity."

Derek Pierce, managing director of Nashville-based Healthcare Management Partners, said the stagnation or decline of inpatient volume across the country doesn't mean facilities aren't needed.

"It may look like a reduction, but we're coming up with creative ways to provide health care," Pierce said. "Maybe it's not done in the big box anymore, maybe it's done from a smartphone. It's progress toward health care for the patient."

Pierce said industry concern about potential market monopolies or duopolies driving up costs are legitimate and should be monitored. But he sees it as a net-positive for patients, especially in mergers that are pulling rural facilities into a larger network.

Volume versus value

Shifting from a volume-based system to value-based is Brookwood Baptist's primary goal.

Parrott said Brookwood Baptist's pre-acute care network offers geographic breadth and a depth of expertise. The system is also moving toward a single vendor electronic health record system to streamline information exchange.

"If you come to one of our primary care physicians, we'll have a more holistic picture of you," Parrott said.

Hospital mergers are setting themselves up to succeed at the new value-based purchasing model, Ford said, by incentivizing vertical integration to beef up service lines.

Capitalizing on that vertical integration is Dr. Elizabeth Ennis' main concern. As chief medical integration officer, Ennis works with physician alliances across Brookwood Baptist's five campuses to develop and build out service line committees in everything from primary care to a specialized heart failure section.

"We want to further develop our continuum of care," Ennis said. "In the past, there was no exchange of information. We view it as being patient-centric, and we view ourselves as having a responsibility to them from the pre-acute to the post-acute."

Parrott and Ennis both point to the recruitment Dr. Jitendra Sharma, a neuro-interventionist, as a specific example of the better integrated service lines Brookwood Baptist is able to offer.

"Dr. Sharma is not just interested in building an empire at one hospital; he's reaching out to specialists in other facilities to develop better care in other communities," Parrott said. "The collaboration between facilities that used to compete with each other is going to be good for us and good for the communities we serve."

Brookwood Baptist is now responsible for 16,000 Medicare beneficiaries under 2016 Medicare Shared Savings Program, part of its commitment to succeed in new payment models, Parrot says. The program incentivizes hospitalization reductions.

Ennis' team is using data analytics to identify and track Medicare patients with chronic health issues in an effort to curb repeated hospitalizations through preventative and post-acute care.

"We want to be rewarded for providing better value for the health care dollar, as opposed to just doing as much volume as we can," Parrott said. "We think we can generate millions in savings, which we can then share with our physicians."

Parrott believes insurers and employers will also reap the benefits from narrow health networks that offer a wider range of health services. Employers who are limiting themselves to a more narrow network in certain markets are seeing significant premium savings.

"You're signing up for a network that meets most of your needs, even if, in essence, you're giving up the freedom to go anywhere," Parrott said. "You're moving away from the confusion and the expense."

But if merger trends continue to increase, experts remain concerned about reduced choice in the health care market. Ford points to states like North Carolina, where there are only a handful of providers for the entire state.

"When the competitors get bigger, you've got to get bigger," Ford said. "I think it bears watching whether or not these less competitive markets start to charge more and provide less."

Tangible and intangible

By the end of the 2016 calendar year, 15 months post-merger, Brookwood Baptist will have spent around \$65 million of a \$250 million capital investment.

Another \$50 million is earmarked for 2017, Parrott said, and the funds have been proportionally spread around the organization.

"We're generating more than enough cash flow to fulfill that commitment," Parrott said.

Much of the investment has been catching up on deferred maintenance and renovation. Plans are in the works for a critical care expansion at Princeton, and the organization will break ground next year on a new medical office building in Talladega. Alabaster's Shelby Baptist will see an operating room expansion, while Walker Baptist is set to receive new robotic surgery equipment.

Parrott says things like Brookwood's parking deck improvements aren't "glamorous," but it's important to consider every way a patient accesses care.

Beyond brick and mortar, though, Parrott said he expects the organization to dedicate 10 percent of capital funds to information technology to get to the next level of care coordination.

"It's hard to put a hard dollar value return on investment on that, but as providers we know that's a missed opportunity," Parrott said. "There's so much convenience in the smart utilization of technology."

The intangible, like increased convenience through technology, has been one of the major challenges in the first 15 months of the merger. Major fruits of labor are still a few years down the road.

"I don't want to minimize the complexity of building a new hospital or adding new equipment, but trying to redesign health care delivery is much less tangible and more difficult to see the progress," Parrott said.

Ennis has encountered growing pains within physician alliances, as doctors have trained and worked under a volume-based system.

"There's inherent tension right now as every physician realizes that, irrespective of your specialty, your workflow is going to change in the future," Ennis said. "We have this moniker – CIG, change is good. If you fail to evolve with the health care system, you become irrelevant."

Five years down the road, Parrott said he hopes people see the merger as an innovative solution in health care.

In the meantime, he hopes to lead the Brookwood Baptist team with an eye always on the long game.

"You have to be conscious, as leaders, to find those milestones to help people understand that this is how we're delivering better care," he said.

Melissa Brown

Health and Technology Reporter
Birmingham Business Journal

